

OCTOBER 26, 1935

THE MAGAZINE OF WALL STREET

What's Ahead for the Market?

By A. T. MILLER

•

Putting Business Recovery
to the Test

By JOHN D. C. WELDON

•

Dividend Prospects for
U. S. Steel

By HENRY RICHMOND, JR.

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With Our Readers

Sirs:

The income of consumers during the first eight months of this year was \$28,800,000,000, without allowance for Federal relief, according to a report by the International Statistical Bureau. This was an increase of 8.5 per cent over the same time in 1934, but, allowing for the higher cost of living, the real gain in purchasing power was only 2.9 per cent. So if Mr. Roosevelt should again ask the average person whether he is better off than he was a year ago and if these estimates are somewhere near correct, then the average consumer would have to say, "I'm just 2.9 per cent better off than I was a year ago." In recent weeks, however, prices have gone up considerably and probably are overtaking income, thus tending further to reduce purchasing power. By the end of the year the consumer will be lucky if he is 2 per cent better off than a year ago. Whether this is due to natural recovery, to the New Deal policies or to both, it is a pretty small advance. Yet I read reports in the newspapers of retail trade up 10 to 25 per cent, automobile sales up 30 per cent and production of this, that and the other thing up 40 per cent or what have you. If the present rate of recovery in consumer income is around 3 per cent a year or less, how long can production gains of 10, 20 or 30 per cent over a year ago be maintained?—G. G. K., Madison, Wis.

Sirs:

When is watered capital not watered capital? Answer: when it is real estate assessed for taxation. Our politicians bleat about the "watered" capital of the utilities and the big corporations out to extract their pounds of the public's flesh, and then with a straight face proceed on the theory that real estate—for tax purposes—is worth just about as much as it ever was. I am moved to write this by the recent announcement of the City of New York that the real estate assessment for 1936 is going to be \$16,653,000,000, which is about what it was in 1928 and 1929. Meanwhile, the income of the taxpayers has taken a nose dive and the rentals yielded by real estate have declined probably by an average of 25 per cent or more. Apparently there is one

standard for business and another for government.—J. L., Brooklyn, N. Y.

Sirs:

The so-called social security law adopted by Congress under the sponsorship of the New Deal is bound to prove just about the biggest joke ever put over on the deluded American voter. This scheme is disguised as a tax on payrolls and wages but in effect it is just a gigantic sales tax. The heavy tax on payrolls is certain to be added to the price of the product and hence will be by far the biggest sales tax yet imposed in the endless list of such disguised levies on the purchasing power of every individual, rich or poor. Germany had a similar scheme, also financed by taxes on payrolls and the thing ultimately collapsed of its own weight, but, of course, the cheerful idealists at Washington are too smart to pay any attention to the experience of other countries.—R. B. Y., San Francisco, Calif.

Sirs:

Your issue of September 28 discusses the position of cotton and its various ramifications. Before the Administration abandons its present policy of loaning 10 to 12 cents per pound to the growers, a substitute plan must be found that will net the growers a price high enough to enable them to make a living.

It occurs to me, that a plan like the following might work out to better advantage. Let the Government fix a domestic price of say 10 cents per pound. Do away with the processing tax. Then permit exports at the prevailing price in the world's market, and assess to the various growers the difference between the cost and the export price, all in proportion to the number of bales produced by the growers, irrespective of whether or not any part of their crop was part of the exports. Let us assume that the cost price is 8 cents per pound, and 6,000,000 bales were exported at 6 cents. This would show an apparent loss of \$60,000,000—which would be assessed against the various growers as outlined above.

This plan would take the government out of the cotton business and do away

with the processing tax. By being penalized for the loss on the exports it would tend to regulate the output voluntarily.—W. J., New York City.

Sirs:

You have had considerable to say about the sad plight of the poor public utility investor. The holder of railroad stocks is also in a bad way. After all, there are more bankrupt railroads, or roads on the verge of bankruptcy, than utilities. What is the Government doing about it? It has been regulating them for years so that a railroad president can hardly walk around the block without getting permission from the I. C. C. Maybe this is a sample of how much Government regulation is going to help the utilities before they get through with them! After regulating the railroads into their present mess and slapping still higher costs on them, the only remedy the Government can think of is to lend some of the taxpayers' money to the weakest railroads to stave off inevitable bankruptcy as long as possible.—E. W. S., Macon, Ga.

Sirs:

The taxes on a gallon of gasoline amount to more than its wholesale cost. On tobacco the taxes in 1918 amounted to about \$156,000,000 and the growers got about \$400,000,000 for their product. In 1931 the growers got only about \$156,000,000 and Government got \$444,000,000 in taxes. On most products the taxes now are much more than the manufacturer's profit. In addition to the many normal risks of misjudgment, the odds against the investor are growing longer. Only so much can be got out of any product. The more taxes take the less is left out of which the producer can get his margin. Taxes are rising and will rise much further before this New Deal is paid for. Investors have done a lot of thinking in the last two years about how to protect their capital against inflation, but there is no way to protect it against taxes. The only way you can dodge this is not to have any money, take the pauper's oath and sign up for life with the Federal relief.—H. C. W., Lexington, Ky.

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N. A.



WITH THE EDITORS



The Wages of Capital

WE have always found money hard to get and hard to keep; and, on top of these normal difficulties, if you can get it and keep it you now encounter an increasingly baffling job to find employment for it in investments at anything like a profitable return.

The New Deal evidently believes in high wages for labor and low wages for capital. At any rate it has worked out this way, for the Administration's policies have tended to lift wages and to lower the return on capital. Interest rates, depressed by slack business demand for borrowed funds and by the cheap money policy of the Treasury and the Federal Reserve Board, remain at record low levels.

This has forced up prices of gilt-edged bonds to a level seldom seen more than once in a lifetime, with corresponding reduction of yield. It also has enabled the Government and scores of corporations to refund old obligations with new issues carrying a substantially lower coupon rate. You may

have a perfectly good bond bought some time ago at a price which yields you 4 per cent or better—only to have the company call the issue and tell you that you can take in exchange another bond yielding 3 per cent or take the cash and wonder what to do with it. Deposit it in a savings account and you will get from 2 to 2½ per cent on it. Put it in a gilt-edged short term issue for maximum safety, if the prospect of ultimate decline in long term bonds frightens you, and you will get a fraction of 1 per cent.

On the other hand, if you invest in the highest grade common stocks you will be lucky to get a current return much better than can be had from gilt-edged bonds; and against the possibility of appreciation, which the bond does not hold, there is in the stock a much greater possibility of depreciation. That good common stocks have followed good bonds to low yields is also largely due to the New Deal credit policies.

Of course, capital's friends are con-

fined to those who have it. It has few advocates at Washington where the favorite charge is that labor income declined more in depression than the income of capital. As the old saying has it, figures don't lie but liars figure. The case is proved by lumping bond interest and dividends together as return on capital. This is, of course, absurd, since bond interest does not go up in a boom and is not supposed to decline in a depression. The wages of capital invested in common stocks took a far worse beating in the depression than did the wages of labor.

Both capital and wage incomes, however, are now having a hard time keeping ahead of the rising cost of living, which also can be charged to the New Deal. If inflationary trends gain force, purchasing power of both capital and labor will almost certainly run a losing race.

In short, money is a nuisance—but we'll probably keep on trying to get it and to keep it and to put it to work on some kind of terms!

In The Next Issue

What Third-Quarter Statements Indicate

Which industries and companies are making real progress? Which are doing a bigger business at a lower profit? Which have now more than overdiscounted 1936 prospects? Which are in an inventory position to benefit from future price trends?

Repercussions of Higher Taxes

Effect on: Business, Stock Market, Corporate Earning Power, Expansion and Recovery

By JOHN C. CRESSWILL

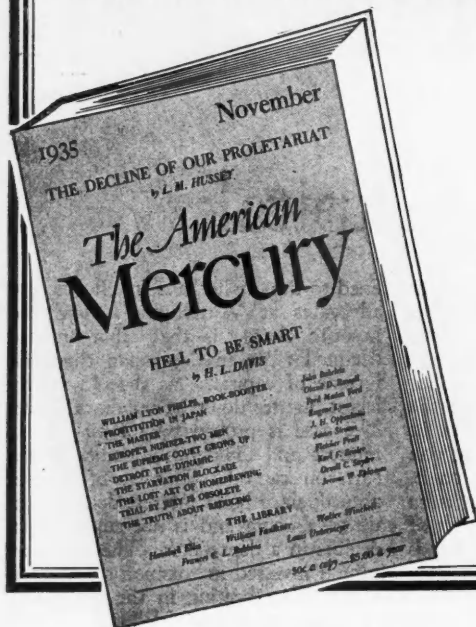
Profitable Opportunities in Senior Issues With Convertible Privileges

By J. S. WILLIAMS

Higher prices for common stocks are giving value to the conversion privileges in selecting senior issues of leading companies.

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THE AMERICAN MERCURY is a magazine for thinking people. It gives a brilliant, critical, and entertaining picture of the world we live in. It is quite impartial; its only bias is against chicanery, knavery and quackery of all sorts—political, intellectual, religious and scientific. Of necessity it devotes to-day considerable space to laying open those who rule our great republic and their hopeless, harebrained economic panaceas.

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Partial contents of the November issue

DECLINE OF OUR PROLETARIAT

By L. M. HUSSEY

Was Karl Marx right? Must capitalism die? Are the American proletarians soon to launch the long-promised Revolution? The answer is a categorical no, according to L. M. Hussey, who declares that the New Deal, through its propaganda and acts, has encouraged the false idea that the old order is doomed, and that collectivism will take its place. Our proletariat is actually on the decline Mr. Hussey argues, and employs figures to clinch the point.

THE SUPREME COURT GROWS UP

By J. H. OPPENHEIM

After one hundred years of being kicked around from pillar to post in Washington, the black-robed jurists, in October, moved into their new marble temple, where they now will sit in regal splendor. The author, a well-known lawyer, tells how America's highest tribunal has been seeking a home for 100 years, and how Congress has now paid a debt, overdue since John Marshall's time.

THE STARVATION BLOCKADE

By FLETCHER PRATT

America was the originator of the effective hunger blockade in war. When Lincoln proclaimed the closing of Southern ports in 1861, he unwittingly paved the way for the most inhumane practice of modern armed conflict. Mr. Pratt, author of the popular *Ordeal by Fire*, tells the story of our great experiment in war, comparing it to the evils which visited Germany in 1914-18.

EUROPE'S NUMBER-TWO MEN

By EUGENE LYONS

Who will rule Europe after the present dictators die? Who are the Number-Two Men who now lurk in the background, awaiting only an opportunity to grasp the reins of state? Mr. Lyons, the veteran foreign correspondent, describes the lesser political lights in Germany, Italy, Russia, Hungary and Poland, narrates their past history, and predicts who will some day wear the crowns of Hitler, Mussolini, Stalin, and the others.

PROSTITUTION IN JAPAN

By OLAN D. RUSSELL

Japan has solved one of the great modern social problems by recognizing prostitution as an indispensable business. Instead of moralizing about ladies of ill-fame, Tokyo treats them with honest recognition, and maintains for them certain sections of the city which are segregated in name only. Mr. Russell, for many years a resident of Japan, has written an intimate, informative article about a much-discussed subject.

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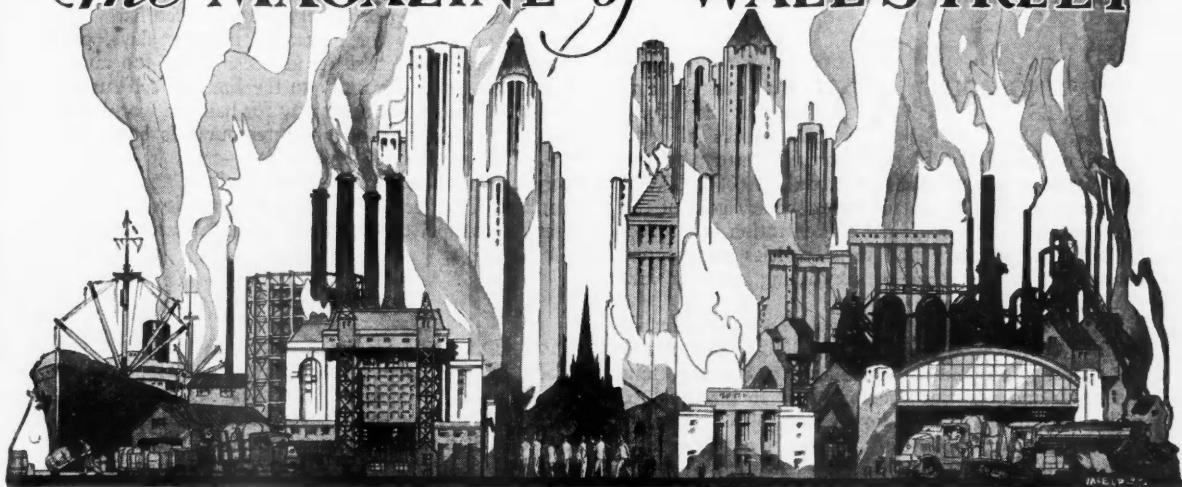
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The MAGAZINE of WALL STREET



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Associate Editors

The Trend of Events

STOCK MARKET INFLATION?

IT is an extraordinary thing that the president of the New York Stock Exchange should feel impelled in a public address to sound an outspoken warning against the possibility of a wild stock market inflation culminating in a crash as violent and as dangerous as that of 1929.

"To put it bluntly," says Mr. Gay, "the Exchange is concerned with inflation."

He defines inflation, from the stock market point of view, as a distortion of values, bringing in its train heavy losses to the individual investor and a shock to business. He is careful to emphasize that he does not argue the present market level is an inflated one, nor is he predicting that stock prices will become inflated. What he stresses is "the inflammability of the material we are dealing with."

What is this inflammable material? It is the credit machinery of almost unlimited potentiality set up during the past two years by the Federal Government in its deficit financing and numerous other devices. Mr. Gay points out that should the Exchange, the member banks of the Reserve System and the SEC combine in an effort to apply the brakes after a dangerous boom started, there would still remain the immense outside factor of an abnormal money market, with a gigantic volume of excess reserves, the control of which is the

responsibility of the Federal Reserve Board and the United States Treasury.

If you measure stock market inflation by the volume of brokers' loans or bank loans going into securities, there would seem to be little danger in the present position for there has been very little expansion in speculative borrowing. Yet when a general credit expansion is undertaken, it is impossible to earmark the credit created and direct it solely to the intended uses. Create billions in credit for any purpose and much of the purchasing power distributed in the spending of it will inevitably find its way into security purchases.

If there is danger today of an excessive use of credit, that use is primarily with the Government and only secondarily in the stock market. It is a novel relationship and one which makes it difficult to rely on old conceptions of what does or does not constitute a sound credit position in the stock market.

Certainly, an abnormal governmental use of credit, plus tax policies which make large holders of stocks reluctant to take profits, has been chiefly responsible for carrying many stocks up to prices 20 or 30 or more times annual earnings and to levels at which dividend yields in many instances are less than the return on gilt-edged bonds.

Whether this is or is not dangerous, time alone will tell—but if there is another boom and another crash

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Seven Years of Service"—1935

it will be very difficult for Washington to shake its finger at Wall Street. The Government will have been the chief financier and backer of the boom.

MOUNTING GOLD RESERVES

ON the present evidence it is likely that stocks of gold in the vaults of the United States Treasury by the end of the year will reach or exceed \$10,000,000,000 or more than 40 per cent of the monetary gold of the entire world. This abnormal concentration is a reflection of our monetary and tariff policies on the one hand and on the other of continuing disorder and alarm in world finance.

Between 1914 and 1929 our gold reserves increased from \$2,043,000,000 to \$6,604,000,000, so that clearly the tendency of gold to flow here is not a new thing but a war and post-war phenomenon. In the devalued dollar our present gold holdings exceed \$9,500,000,000, the increase since the first of this year having been more than \$1,200,000,000.

Sitting on this impregnable hoard, Secretary of the Treasury Morgenthau states, with pardonable complacency, that if Europe wishes to discuss monetary stabilization "we are ready." It need hardly be said that war-frightened Europe is not ready—far from it. When and if the time comes the chief responsibility for re-establishment of an international gold standard will lie with us. Meanwhile, the longer nations off the gold standard get along quite comfortably without it, the less urgent becomes their desire to go back to it.

WHAT PRICE NEUTRALITY?

WE used to hold the doctrine that neutrals had some rights. We also were quite willing to concede that belligerents had the right to keep neutrals from spoiling their private conflicts. We held to the doctrine of freedom of the seas throughout the World War (until we got into it), although we got little but insult whenever we clamored for it. However, we enjoyed it in fact as well as in theory in our trade with most of the neutral world, and with all the allied world. Actually, we finally got into that catastrophic struggle because we were more offended by German interferences than by the high-handed practices of the allies. Congress and the President have now committed us to the popular doctrine that it is our business as a neutral to give up all neutral rights, in order that we may remain neutral—stay out of any possible involvement that might conceivably draw us into the vortex of war. Our first steps, however, bring us near the brink of the pool we would avoid. The Italo-Ethiopian conflict has become already a bitter economic war for military ends between Italy and the League nations. We have by virtue of our devotion to abstract neutrality at any cost lined up, in fact, with France and England et al against Italy. We seem to be on the side of safety at that. But will our self denial go so far as to ban or check all trade with the League nations if they get into military combat

with Italy? In consistency it should, but in actuality it will not—for that excess of neutrality would not add to our insulation from war entanglements and would knock our returning prosperity into a cocked hat. We are—all of us—all for neutrality in these days, provided it promises security and doesn't cost too much. Supine neutrality for Italy to the limit of self-suppression is endurable, but neutrality for half the world, carried to the extreme of non-intercourse is something else. We tried it 130 years ago—tried it until we were well nigh ruined. We won't do it again. And, thanks to blunder or design, the neutrality resolution does not compel the President to go so far. He may but he won't.

CANADA ELECTS

IN Canada Prime Minister Bennett has been turned out of power because he was in. The same thing happened to President Hoover in 1932. Premier and President had the misfortune to head the state while it was waterlogged and dismantled by the storms of depression. Bennett was a ticketed Conservative but turned to the left to hold the job and keep his party in power. His successor, Mackenzie King, is a Liberal who seemed conservative compared to Bennett—but his old-fashioned Liberalism is not to be denied. He doesn't like the Empire trade agreements, he wants less restriction of trade with the United States—and he has no patience with socialism, rampant in Alberta and boring in elsewhere. He is unequivocally against hard times. What he will do about them that Bennett didn't or couldn't do remains to be seen. His campaign was more critical than constructive. Now he must construct and be criticized. Which is something different. The record-breaking size of his majority seems to leave him without an alibi should he fail to bring good times—or they should fail to come while he is power. What happened to the minor nuisance parties is a sign of what will happen to them in the United States next year. There is also this sign for us, that the party in power gets credit or debit for prosperity or misery. The economic indices decree the electoral statistics.

This is not to say that the political situation in Canada necessarily points the way the winds are blowing in the United States. Bennett had served as Prime Minister since 1930 or through the worst part of the depression. Mr. Roosevelt was elected at virtually the bottom of the depression. While our economic tide is in his favor there are those who will blame him because it is not more strongly so and others who feel that our own New Deal has retarded recovery by its over-zealous emphasis on reform.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 8. The counsel embodied in this feature should be considered in connection with all investment suggestions, elsewhere in this issue.

Monday, October 21, 1935.

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Seven Years of Service"—1935

As I See It ~ By Charles Benedict

The Outline of a Presidential Candidate

POLITICAL views are molded more by economic conditions than by any other factor. Thus in 1932 when the depression touched its nadir popular feeling demanded a drastic change in government. Away with the administration that seemed unable to combat the hard times! Abandon the theory of natural recovery for aggressive attack on the forces of adversity!

Such sentiment provided the setting for the admirable Democratic platform and for the victory of Mr. Roosevelt. A frenzy of governmental action followed.

On the evidence of the Democratic victory in the Congressional elections of 1934, it is clear that for two years or so a majority of the American people continued to identify Roosevelt with action, precisely as they had identified Hoover with inaction.

In the meanwhile, however, a strong minority opinion had begun to develop. It believed that Roosevelt had greatly over-done the original requirements of emergency action. It believed his excessive emphasis on reform was a drag on the recovery that had started so buoyantly in the spring of 1933. It was increasingly frightened by the Administration's extravagant spending, by its inability to settle on a coherent and efficient relief system, by its opportunistic jumping from one "white rabbit" to another, by the reliance that it placed on the theories of little known, if not crack-pot, advisers, and, most of all, by its insatiable appetite for power to regulate almost every aspect of business. It recognized that the President had made a veritable travesty out of the platform upon which he was elected

and to which he had pledged himself in the most specific terms.

Without any possible doubt this minority opinion has grown steadily this year, so that now it is open to question whether it is any longer a minority point of view. The adverse decisions on some of the most fearsome New Deal ventures has created new obstacles to be overcome and has added to the general apprehension. The people are heartened by the natural business improvement which has come in spite of dangerous and haphazard legislation. But to millions it is apparent that government planning and experimentation are not as closely identified with recovery as had been supposed, and in any event are no longer necessary. Belief has grown that Administration policies can only continue to retard recovery.

Thus it is that the people are turning their faces away from Roosevelt toward another candidate who exemplifies stability—common sense—and economy. A candidate who takes the human equation into his calculations.

Our political ideas should not be borrowed from Europe but should be developed on all-American lines to meet our particular requirements. While our country has been making stupendous progress during the last century Europe has been standing still, and in some cases even slowly declining. The two psychologies therefore are separate and distinct. Our viewpoint is broad while the European attitude is provincial and ultra-nationalistic. Instead of imitating Europe let us set the pace in government for the world. This is a big job and a big man is needed for it.

Know a man
(Please turn to
page 56)



Galloway Photo

What's Ahead for the Market?

By A. T. MILLER

THE stock market has rallied moderately above the previous top level of the year, the expected technical rebound from the war-scare reaction of October 2 having expanded into a more ambitious movement following a public address in which President Gay of the New York Stock Exchange warned against the threat of a runaway inflation in stock prices as an outcome of New Deal credit policies.

Speculators evidently reasoned: If eventually, why not now? The inflationary theme was a pleasant change from the chorus of war whoops rising and falling in Europe. Moreover, the technical setting was almost ideal for exploitation of the first bit of bullish ammunition that happened along.

Whether this is merely another trading rally in a market which, by and large, appears to be at a generous price level or the start of a new phase of intermediate or long-term advance is the question that now confronts us.

On strictly technical reasoning, there are grounds for continued caution as respects new intermediate trading and investment purchases, pending either corrective reaction on the one hand or, on the other, the development of more dynamic bullish indications in the market's own action or in the business trend.

Technical Reasons for Caution

A glance at the accompanying chart, which covers 288 stocks, shows that, despite considerable speculative excitement attended by new highs in various popular equities, the general market before the present upturn had held within a trading range for approximately nine weeks—a range, in fact, of but a trifle more than 3 points in our average. Again, the net advance in this index in a period of more than two months prior to the present writing has been about 2 points. The advance between the March low and early August had been 20 points. In short, for the market as a whole there has been a loss of momentum since early August that cannot be safely ignored.

While the presence of rails and utilities in this composite of 288 stocks has been a retarding factor over the past two months, it is nevertheless much the same doubtful technical picture that we get in examining any reasonably broad average of industrial stocks. As this is written, for example, the trading range for the past two months in the seventy representative industrials charted daily by the New York *Herald Tribune* has been approximately 4.78 points or 3.4 per cent from low to high.

Even allowing for the sobering influence of the European war clouds—which did not exert appreci-

able effect upon the market until the third week of September—the above record constitutes an unusually long period of congestion, several times as protracted, in fact, as any of the preceding periods of consolidation which, prior to August, had invariably been followed by renewed general advance.

Unless and until the market convincingly proves the contrary, one is justified in suspecting that this relatively static period of the past two months has seen considerable distribution accomplished in many stocks under cover of spectacular strength in a limited number of leaders, such as Chrysler, Westinghouse and Western Union, and a larger number of specialties.

This is not to say that, barring definitely bearish developments in Europe, there must be an early and important reaction. It is certainly conceivable that a selective movement, in which as many stocks stand

still or decline as go up, can continue for some time in lieu of either a broad advance or a general decline.

"Powerful Sponsorship"

Indeed, from a short-term trading viewpoint, there are some indications which lead us to believe the market is "well in hand." What are politely referred to as "group operations" and "powerful sponsorship" are becoming increasingly the subject of published comment. In the old days, before the advent of the S E C, they would frankly have been termed "pool operations."

We are frank to say that we intend to leave to the quick-term speculators of the trading fraternity the risky problem of guessing just what this so-called "powerful sponsorship" is going to do for the market in the immediate future.

Its increasingly bold presence is not a bull point—far from it—so far as intermediate trading purchases, looking one to three months ahead, are concerned. Together with the sluggish performance of the general market over the past two months, it is additional justification for caution, regardless of possible trading rallies that conceivably could add another 10 per cent appreciation or more to popular issues which already have advanced 100 to 150 per cent or more from the quotations of last March. In many of these, without question, the easy part of the rise lies behind us and not far ahead—if it has not already been reached—is the crazy part.

Moreover, while we have seen that the war threat can lose its hold on the market from time to time as European tensions slackens, it would be folly to



The stock market has rallied moderately above a trading range which had prevailed for more than two months. Indications of distribution and continuing European war uncertainties justify a cautious policy. We do not recommend new intermediate trading or investment purchases.

dismiss it from consideration in any speculative commitments made with an eye to possible appreciation over the next one to three months. Like most civilized people, we are reluctant to believe that Great Britain and Italy will not eventually find a way out of the present impasse without a serious war—but the cold reality is that the present course of developments lends only modest factual support to this hope.

At home the stock market thus far has continued to run considerably ahead of any proportionate gain in business activity. The business index for more than two months has been characterized by stability, rather than by dynamic advance, although the current trend is moderately upward due to rising manufacture of the 1936 automobiles, a slightly more than seasonal advance in car loadings, expanded activity in production of textiles and an advance in steel operations which chiefly reflects renewal of activity in the motor plants following changeover to the new models.

The textile industries in all probability are at or near their peak for the year. Car loadings are near the point where seasonal decline usually begins. Any further gain in steel operations will depend chiefly on demand from the motor industry, which indeed, will be the biggest single influence in determining aggregate business activity for the rest of the year. Retail trade, which continues to make a favorable comparison with a year ago, is, of course, entering its heaviest season.

Looking further ahead, our depressed economic sectors continue to be construction and the heavy industries. We find it hard to forecast a dynamic recovery without considerably more improvement

than has yet been experienced in these quarters. No doubt it will come, but it is a matter of time. If it were on the cards for a big splurge next spring one would naturally expect to see it anticipated in securities identified with construction and the heavy industries. Instead most construction stocks, the leading steel shares and the railroad equipment stocks have made little or no progress for two months.

The best performance over this period has been in motors and accessories, the business equipment shares, coppers, motion picture equities, electrical equipment stocks, chemicals, agricultural implements and liquors.

Over the same period the backward or sluggish groups—in addition to steels, construction stocks and railroad equipments—have been the oils, rails, public utilities, food brands, food chains, tin container makers, variety chains, sugars, tires, tobaccos and dairy products.

If the speculative pot is to be kept boiling it would appear that some fresh leadership is required. At this writing the merchandising stocks and food shares, including dairy products and baking issues—the latter helped by the prospect of a general rise of 1 cent a loaf in the price of bread—are showing improved action. With the possible exception of the merchandising issues, which are favored by the season and by better than seasonal levels of trade, these are not groups which ordinarily inspire much speculative enthusiasm.

Whether other recently sluggish groups, such as steels, construction shares, rails or oils can be successfully revived for more than an essentially meaningless rally remains to be demonstrated. Meanwhile

(Please turn to page 55)



Happening in Washington

By E. K. T.

Business better practically everywhere and bound to get better yet is the Washington economic sharps' verdict. Best fall business all around—production, shipments, retail, wholesale, financial since 1930. This despite slowing up of Government's expenditures. Diagnosis is that natural recovery is being assisted by price readjustments brought about by controls, government cash and devaluation of the dollar. Prices are lining up with the 59-cent dollar. Higher prices, but not necessarily inflation of the kick-back variety—just the readjustment to a smaller yardstick of prices which was planned and hoped for. Beyond a doubt old high-dollar debts are now being paid off in new low-dollar money.

"Maybe there will be let-ups" the economic medicine men say, but they predict that after 1935 will come a humming 1936. Revival of machine tool industry is declared to be the bugle blast announcing the prancing entry of freshly burnished capital goods industries.

Bread and potatoes: Intent on raising the price of potatoes the AAA has been caught unawares by rising bread prices. The former is obviously good, the latter is obviously bad. One is fair profit the other is despicable profiteering. In AAA Alice's Wonderland every economic wonder leads to another; every control leads to an uncontrol. High wheat makes votes, high bread unmakes them.

President away, Vice-President away, even Ickes and Hopkins and also Tugwell away—all out of the country. Vacations. Terrible is the strain of high office in these parlous times. And how the great men are missed!

Chester Gray, AAA chief executive, frowning furiously, says cotton control has not worked hardship to cropper tenants. Placid Dr. Will Alexander, Tugwell's chief assistant, signs a judicial report which says cotton control has exploited the tenants for the benefit of the landlords. This presents one of the truly liberal aspects of this Administration. The President doesn't care how much his appointees differ and quarrel. "I don't know and don't care what ——— is doing," said a high official, who did nevertheless care. "I run my job and he runs his, and if he runs into me, the worse for him."

A trifling difference: Enter from the rear Cordell

Washington Sees—

Business bustling toward a lush 1936.

General rise of prices as readjustment to 59-cent dollar.

But specter of War in the background.

No technical inflation as yet—

But almost certain to come in guise of smart recovery activity—before it is detected.

Diplomats peacefully concluding with words the conflict of lethal weapons proceeding in Africa.

Political explosives derivable from mounting bread prices.

Quick deal between low-tariff Hull (U. S.) and Mackenzie King (Canada).

Smart horse-trade with Columbia—latter pays for what it already had free.

Republicans trying to capture New Dealers.

Democrats seeking subtle arguments to win business men.

Building boom in 1936.

Hull, morning coat and State Department air. Speaks with a detached but sincere manner to waiting newspaper men: "The President seeks to keep out of war, and so wishes our nationals to refrain from trade with the belligerents." Secretary Daniel C. Roper, sitting behind spacious flat-topped desk in vast, stately chamber, looking despite his Southern origin, like a Yankee preacher (or trader) says to pencil-poised reporters: "American citizens have the right to trade with all nations, except as forbidden by law. Trade with Italy and Abyssinia is not forbidden by law." (Language in quotation marks is paraphrased.)

State Department underlings, always impressed by the superior manners and conventions of foreign diplomats, whisper that the Italian scrap is being adjusted behind the screens and scenes by the astute minds of the European chancelleries, untroubled by

the intrusions of mere Congressmen and the like. European newspaper correspondents here have no respect for their pompous diplomats and say brutally that they will mess up an inconsequential row between black shirts and blacks into a world-wide conflagration.

"The Mediterranean will be the scene of another decisive naval battle of history (plus aerial combat) comparable to Actium, Navarino, Lepanto and Aboukir. Put your money on the red—of Britain."

Canada trade agreement, now in the casting, will be revamped following all-time record victory of Liberals at the recent Canadian elections. Changes will probably cause further deferment of conclusion. Mackenzie King, new premier of Canada, is depreciative of the Ottawa imperial preferential agreements. Some of the briefs filed by American interests demand revision of those agreements as a condition of a Canadian agreement. Point is made that while they discriminate against American goods other parts of the British Empire ("most favored" nation rule) would enjoy same concessions in the American market that may be accorded to Canada.

With King in power at Ottawa, Secretary Hull will have a statesman of his own international trade principles with whom to deal. It is said in some quarters that an agreement will be held up until after the impending British elections. Hinted, also, that there is a chance

that repercussions of the proposed agreement with Canada are likely to be so severe politically here that the whole business may be deferred until after our elections.

Recent agreement with Colombia is remarkable for the fact that on the American side it is almost entirely one of "bound" status, that is, we promise not to raise any of the previously existing duties or alter free lists during the life of the agreement. Some 94 per cent of Colombia's exports to the United States were already on the free list. This negative sort of trading is highly important and gives us a hold on reciprocal trade advantages despite the free list, which covers about a half of all our imports. Used so effectively in the Colombia trade that the South American country made big slashes on a long list of American products.

Similar intelligent trading characterized the Brazil agreement, but the concessions obtained from Brazil's negotiators for present and past favors were so great that it has not yet been ratified by that country. Gentle pressure is being applied, and Brazil is not being allowed to forget that Colombia is its chief competitor in the free American coffee market.

Secretary Hull continues to preach, in season and out, that the United States can never have full prosperity again until something like old-time international trade relations are restored. He sees no hope and little use for monetary stabilization until trade is stabilized. Hopes to achieve a reciprocal deal with Canada that will be an object lesson in trade liberality for the whole world.

Secretary Morgenthau said nothing new at Paris. This government for a long time has encouraged stabilization. Lately, the British have again put out feelers suggesting a \$4.50 pound.

The dollar is admittedly undervalued at 59 cents (old-style) but rising domestic commodity prices may change the situation. Proposal is being revived, however, that we should turn the dollar loose again and let it seek its intrinsic level with Sterling.

Endless deluge of gold from all the world continues to cause worry. It is useless here and usable elsewhere—and also keeps silver purchases in a stern chase to keep up with gold imports. Under the law the more gold the treasury has the more silver it must buy—to attain the ratio of one-third as much silver as gold in the treasury. Both gold and silver values for the world are determined by the U. S. money policies. The precious metals come here not so much as normal trade movements as to get cheap dollars.

for OCTOBER 26, 1935



Acme Photo

CORDELL HULL

The United States can never have prosperity again until something like old-time international trade relations are restored.

the stock and commodity markets now. "Inflation is taking hold."

Will Government take anti-inflation measures?

No. Doubt if there will even be a scolding of the stock market by the President, as in July, 1933. Its policy has been and is frankly inflationary—to raise prices—and deflate debt. Eccles, chairman of the Federal Reserve Board, present and new, believes in controlled inflation—and certainly will not move to kill it at its inception. Who, in his place, would dare to raise rediscount rates, increase reserve ratios or sell "governments" at this juncture? Business must be lively in 1936 and optimistic now.

Real control stems from the Treasury. Balanced budget. Not possible before 1938, but an earnest move in that direction would be a steadying influence. Probably coming, too. Dismal fiasco of work-relief program will be followed by return to a rigid system of direct relief. WPA will eventually be a howling success as a disburser of public funds, but not as a lasting business tonic. It will contribute to inflationary tendency—easy money.

Current business improvement is most notable in regions which have received disproportionate shares of public gratuities. Poorest communities are, therefore, the most prosperous. Swirling inflation is up to the bankers. Their lending psychology is already changing and the desire to borrow is growing.



Wide World Photo

DANIEL C. ROPER

American citizens have the right to trade with all nations except as forbidden by law.



¶ Is Present Business Activity the Beginning of a Natural Recovery or a Potentially Dangerous Credit Inflation?

Putting Recovery To the Test

By JOHN D. C. WELDON

THROUGHOUT 1934 as business wobbled up hill and down—all the while watching the New Deal with apprehension—the most urgent plea was: “Give business a chance!”

Today this supplication is less heard, passing out of vogue somewhat as did that earlier business scare-crow: “Monetary uncertainty.” Its passing is strong, non-statistical evidence that business must be better—much better.

When did this change of business psychology occur? It was not induced by President Roosevelt’s promise, some weeks ago, of a “breathing spell” for business. That was an anti-climax. Looking back, it is clear that it occurred when the United States Supreme Court late in May declared the N R A unconstitutional and therefore a nullity.

It is not coincidence, but by all the evidence the simple relationship of cause and effect, that the present strong upward movement in general business activity got under way shortly after that decision was handed down. That was when the business “breathing spell” began. That was when the spell of fear of unlimited Federal regulation of

industry was magically broken and confidence was reborn.

If we are not very badly mistaken, Mr. Roosevelt has taken second thought on this codeless advance of business—which obviously was not anticipated by him immediately after the N R A decision—and has decided to climb upon the recovery handwagon and claim possession of the steering wheel.

From Washington today we are hearing little of “Tories” and “reactionaries” and “money changers.” Talk of modernizing our “horse and buggy” Constitution has given way to a discreet silence, at least for the time being. On the reverse side, the spending of Federal billions of borrowed bank credit seems to be losing some of its glamor as a perverse public shows much more interest in the mundane matter of taxes than in vague constitutional issues.

And so the President, ever alert to the public mood, assures us that, unless the Supreme Court nullifies the A A A and thus makes direct Treasury appropriations necessary to carry on the farm program, no rise in tax rates is probable, adding that present rates plus business

recovery will solve the deficit problem. He looks forward to decreasing emergency expenditures in the next fiscal year. He revises the vast budget estimate of last January and announces the deficit will be some \$1,200,000,000 less than he had anticipated.

All of the recent Roosevelt speeches have been conciliatory and ingratiating. Vanished, apparently, is any idea of attempting to revive N R A by new legislation at the next session of Congress. The responsibility for solving the unemployment problem is placed upon business, the recent progress of which Mr. Roosevelt acknowledges with pleasure, if not to say pride. Indeed, there are suggestions that the New Deal would like to see international stabilization of currencies at the earliest possible time—an eventuality from which it shrank with horror in the summer of 1933.

Assurance Given?

Co-incidentally—or maybe not by coincidence—the United States Steel Corp. announces a \$140,000,000 modernization program; and the Morgan interests, evidently having faith in the recovery of the capital market, go back into the underwriting field.

Now whether these important financial interests have any manner of private assurance or merely have done their own bit of reading between the lines, their action checks with the above indications that the New Deal's present direction is veering toward the Right. In short, it appears that the keynote of the Roosevelt Presidential campaign is not going to be "reform" but our old friend—so carefully nurtured by the Republican party of Coolidge and Hoover—"the full dinner pail."

How significant is all of this to business? How solid are the foundations under the present business position? To what extent is the advance dependent upon continued Federal emergency spending or other artificial and temporary influences? To what extent are inflationary factors taking hold? Is the breathing spell permanent?

To begin with, it would be ridiculous to hold that it is a new and different man who occupies the White House or that there has been a major change in the President's basic economic philosophies—philosophies which have never been more than vaguely formulated or enunciated. The fact is, however, that in large measure in politics the times make the man. Mr. Roosevelt has likened himself to the quarterback, determining the play as expediency suggests. Between this self-characterization and that of critics who call him an opportunist there is no essential disagreement.

It is not the President's fundamental convictions that are important to business but his actions. The significant thing that has happened on the political front is merely that the logic of expediency has called for a more conservative course of action. Given a continuation of reasonably good business conditions, it appears a safe assumption that the "breathing spell" will last at least until after the 1936 election or more than a year. That is a helpful business factor.

Historical precedent suggests that the business trend

existent in pre-election years usually continues in years of presidential elections. It is, of course, too early to assume this will hold true in the present situation. The election issues are not yet defined. Until they are, it is anyone's guess whether they will be of vital concern to business or of vital effect upon business confidence.

Where Uncertainty Centers

In all such conjecture, however, the greatest uncertainty centers in the decisions of the Supreme Court in coming months on such basic contested policies of the Administration as the A A A processing taxes, the T V A, the Guffey coal control law, etc.

There exists an assumption—given a certain plausibility by the President's reaction to the N R A decision—that a sweeping Supreme Court rout of the New Deal would force Mr. Roosevelt to go to the country on a clear issue of "modernizing" the Constitution so as to center in the Federal Government greatly increased, if not unlimited, powers to regulate industry and commerce. Such an issue, it need hardly be said, could not fail to be of the utmost business concern.

In political importance the coming tests of the processing taxes and the Guffey law are undoubtedly first in the Administration's estimation. Even if one assumes a New Deal defeat on both, it remains to be seen whether the President will risk taking a clear-cut constitutional issue to the voters. He would unquestionably be reluctant to do so—since this would switch his campaign strategy back from the vote-getting keynote of recovery to the far less certain vote-getter of reform—but would be guided, as always, by the political logic of the situation.

When one analyzes the possible consequences of decisions adverse to the Administration on the processing taxes and the Guffey law it does not necessarily follow that the President will be shoved into a constitutional fight in the next election. Farm benefit payments could, and undoubtedly would, be maintained out of direct Treasury appro-

priations from the general revenues. In any event the President would still be in the position of having done all he could for the farmers.

As for the Guffey law, Mr. Roosevelt has expressed his own doubts of its constitutionality. Should it be nullified, his position in respect to labor would be essentially this: "I had some doubts as to the constitutionality of this law, but I believe in its principles and you wanted it and I gave it to you, along with other favorable legislation.

It's not my fault that you

can't have it." It is to be doubted that such an outcome would cost the President such labor support as he possesses.

In short, on present indications, it is to be doubted that business is going to be confronted with a frightening constitutional issue in the coming election and the preceding campaign. If such an issue is forced, political logic would suggest that it be put over for a later fight in the event Mr. Roosevelt is re-elected.

Moreover, and definitely reassuring in relation to the longer business outlook, political instability is the inevitable fruit of economic instability. The New Deal of the past two years was essentially what economic emergency—and a

The beneficial effects of Federal "pump priming" are decreasing and the adverse effects are increasing. Present political and economic trends dictate a shift to more conservative fiscal policies and this has already begun. Its continuation will depend largely upon whether Supreme Court decisions adverse to the Government on basic policies inject a vital constitutional issue into the coming Presidential election campaign.

public psychology of emergency—made it. This year has seen economic conditions more nearly stabilized than in any year of the depression. Clearly governmental action is moving with economics toward stabilization. It could not be otherwise in a democracy whose people rapidly tire of abnormal governmental power when the need for it has passed.

Hence we arrive at the conclusion that the "breathing spell" for business is a more significant and permanent thing than those two not particularly happy words in themselves imply.

Which brings us to the complex question of governmental spending, its effects upon business and the consequences of the probable tapering off of "pump priming" at the termination of the present \$4,000,000,000 work relief program.

Pump Priming That Does Not Work

There is no way of determining even roughly what percentage of present business activity is due primarily to emergency Federal spending. Stated in the simplest terms, Federal emergency spending for relief and recovery under the New Deal to date has exceeded \$8,000,000,000. Regardless of the fact that this is borrowed money, it is purchasing power; and you can not pour upward of \$8,000,000,000 of arbitrarily manufactured purchasing power into the economic system in a period of a little more than two years without substantially contributing to economic activity. Roughly, the turnover of bank deposits during this period has averaged around 28 times a year. In other words, Federal spending of, say, \$4,000,000,000 of emergency funds in a year means the circulation of purchasing power, with bank checks passing from hand to hand, of an aggregate of \$112,000,000,000 in that year.

That sounds fine in theory—until you consider the reality that private spending even in depression is probably ten times as large as the Government's emergency spending and when you observe that the rate of annual turnover of all bank deposits thus far this year has been the lowest, on the average, of the entire depression period. During the year 1931, for example, bank deposits turned over at a rate more than twice as fast as during last August, when velocity reached an all time low.

In short, the velocity figures make out an exceedingly poor case for the "pump priming" theory. They suggest, indeed, that the activity of Federally created bank money has decreased the activity of privately created bank money. Since the latter constitutes potentially by far the greater source of business activity, it can be argued with logic that Government spending has destroyed more business than it created.

Again, if one examines the accompanying graph of Federal emergency spending by months and compares it with the monthly graph of business activity no impressive relationship between the two lines is shown. The sharp business spurt between March and July, 1933, came at a time of low and generally declining emergency spending. To some degree the following decline in business was probably checked by the rapid increase in Federal spending during November and December of 1933. Allowing, as is logical, for a time lag of two or three months, that spending spree, which reached a record high in excess of \$800,000,000 in January of 1934, may be held to have contributed to an upturn in business activity during the first five months of 1934, but the results in business were not proportionate to the cost.

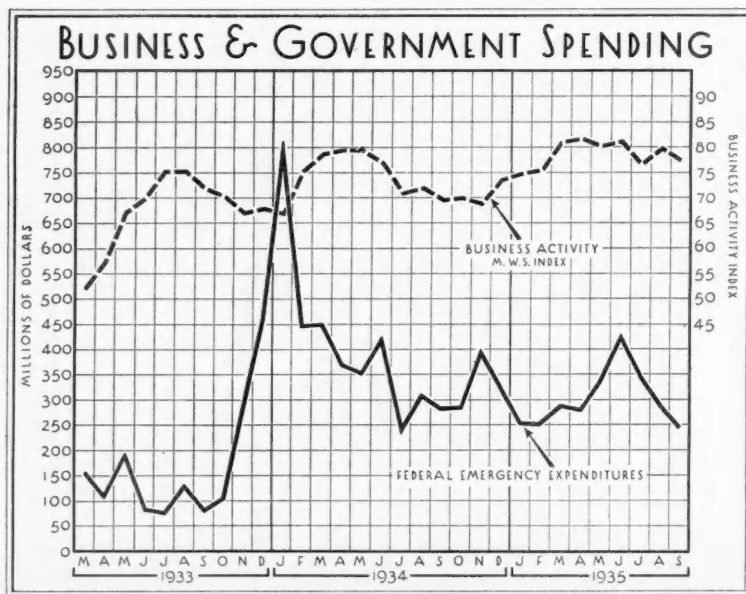
Private Spending Is the Key

From the respective peaks of Federal spending and business activity in 1934, business declined during the second half of that year considerably less than did the monthly rate of Federal expenditures. The business advance which started in the autumn of 1934 got under way while Federal spending was decreasing and in April of this year attained a new recovery high at a time when Federal spending was considerably less than half the peak rate of January, 1934. In July of this year, the emergency spending program reached a high of approximately \$425,000,000 monthly, then in three months declined to less than \$250,000,000 a month. Over the latter period business activity reflected but moderate seasonal contraction.

On the factual record, therefore, Federal emergency spending has been decidedly a secondary business factor. For the rest of this year, under the expanding WPA work relief program, the spending line will work irregularly higher. As a business influence it will be far outweighed by other factors. To cite but two, there is the November introduction of the 1936 automobiles, which will mean an abnormally heavy fourth-quarter motor production; and the present cycle of expanding activity in the textile industries, following a long period of slack production and declining stocks of goods. Each of these factors will exert more energy on the business indexes than Federal spending.

We reason, therefore, that the continuation of recovery is not dependent on Federal spending. Indeed, the position will be strengthened by any decline in the rate of such spending, for such a decline could only reflect either a declining load of relief or a more thrifty administration of the Federal purse strings. Either such development or both together would tend to actuate more and faster private spending in sub-

(Please turn to page 52)



Motor Cars of 1936

Fall Automobile Exhibition Will
Introduce Latest Developments in
an Important Division of Our
National Transportation System

THE automobile industry takes pardonable pride in presenting to the public the results of another year's preparation—the 1936 models.

Probably it would be correct also to say that the entire nation is sharing with our industry our pride in these new creations which represent another milestone in American mechanical progress. They are the tangible results of the work of a great many people, and they represent physical evidence of the harmonious co-operation of many groups working toward a common goal.

In planning these models we have kept in mind constantly one fundamental thought, and that is that we must give our purchasers more value per dollar. The automobile is no longer a "pleasure car." It is a necessary part of our transportation system. By providing greater values in transportation we are helping those who use motor vehicles in their businesses and on their farms to operate more efficiently.

This year we have advanced the date for the introduction of new models by approximately two months, in the belief that by so doing we will be able to level seasonal fluctuations in employment, to some extent at least.

Another objective this year has been to improve the cars from the standpoint of safety. We believe that the industry can best contribute toward safer streets and highways, both for motorists and pedestrians, by building into the cars every practical feature that will make them safer to operate—cars which respond instantly to the control of the driver and which are so strong and well-built that they offer substantial protection to the occupants in the event of accident. As an important, interested group, the industry recognizes its responsibility on the safety question as a whole and is anxious to co-operate and assist on the other two vital phases of the problem—the education of the driver and the correction of faults in the roads themselves.

The development of the automobile has been so amazingly rapid that it has been difficult to keep pace with the many problems that have arisen. Some can remember that period of twenty to thirty years ago when the whole problem was the construction of a car that would run at all. Soon the automobile was developed to the extent that it was reasonably reliable, but by that time the public was beginning to demand more than mere reliability. Buyers wanted



ALFRED P. SLOAN, JR.
President of General Motors Corp.

a car that would go faster, that could climb hills without difficulty and that would accelerate smoothly.

That trend has continued. The public demands rapid transportation by automobile just as it demands rapid transportation by railroad and by airplane. By and large, the public does not want to drive automobiles at excessive speeds, but it does insist on automobiles sufficiently powerful to accelerate quickly and to manoeuvre easily both in traffic and on the open road. Realizing that the specifications which the public has written for the modern automobile are extremely exacting, we have made a sincere attempt to build automobiles which can be operated safely at the higher speeds which they are called on to perform.

In presenting our 1936 cars, we do not make the claim that they are the best that can ever be produced. Next year's cars will be better, and improvements will continue year by year. Our 1936 line is presented with the sincere hope and conviction that these cars are better than any that have gone before them, safer, more comfortable, more reliable, more attractive and more economical to operate and maintain. They are carefully designed to serve the automotive transportation needs of 1936, and they represent the best that our present-day automotive science can produce.

Alfred P. Sloan, Jr.

One of a Series of Guest Editorials by Leading Men of Industry

Currency Creeds and Commercial Treaties

What Is the Position of the Gold Bloc Countries While the World's Desire for Stabilization Grows on the One Hand and War Looms on the Other?

By H. M. TREMAINE

FROM month to month predictions have followed with monotonous consistency, forecasting the final collapse of that tenuous combine popularly known as the "gold bloc." The term has been loosely used to distinguish those countries which have managed so far to resist the more fashionable modes of monetary policy. There is no closely knit relationship between any of the remaining countries which now operate on the gold standard. France, Holland, Switzerland and Poland have merely decided, for various reasons pertaining to their respective national economies, to prevent as long as possible the debasing of their currencies.

Several of the original disciples of sound money have fallen by the wayside, and judging from the state of these countries which have followed the doctrines of false prophets, the results leave much to be desired. In one instance the extravagances of a war-mad dictator has been draining Italy of her gold and brought her to the brink of credit collapse. In another, Premier van Zeeland, schooled in "brain trust" theory, led Belgium from the straight and narrow path of monetary orthodoxy.

English economists have attributed Great Britain's phenomenal economic recovery to a subtle policy of sterling manipulation. But England, for long was fortunate that her currency depreciation was done at a time when world commodity prices were declining; she thus avoided the tribute usually exacted, which consists of soaring internal prices and much hardship on the fixed-income class.

Yet, ultimately, the depreciation of a currency causes inescapable consequences in all countries. In the rising prices which sooner or later are brought about, the small wage-earner, the holder of insurance, the middle-class saver, all find the real purchasing power of their capital and earnings lessened. Even though it be apparent from recent



Underwood Photo

Gold Shipment En Route to America

League of Nations figures on the state of world trade, that countries of depreciated currencies have fared slightly better than the countries of the gold bloc, the temporary stimulus provided by successive injections of inflation is rapidly wearing off. The time has come to consider more permanent cures for the world's economic ills. Let a start be made now with a view to trying in the not distant future the old-fashioned remedy of stabilization.

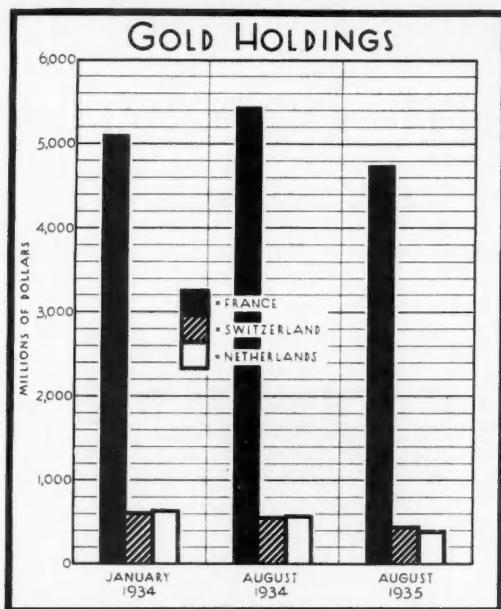
Some of the more astute political and business leaders, reasoning with practical common sense, are convinced that stabilization must eventually be

achieved by collective arrangement entered upon simultaneously between the gold bloc, the sterling bloc, and the so-called dollar bloc. Others believe that it can come of itself by the gradual removal of the causes which brought currency depreciation about. The hopes of all who believe in stabilization, however, have been rudely dashed by the recent speech of the British Chancellor of the Exchequer at the International Parliamentary Commercial Conference at the House of Lords. In Mr. Chamberlain's words, the present tense condition of affairs in Europe renders the tentative approach to stabilization quite unthinkable. Practically speaking, the Chancellor means that nations at war must necessarily be expected to gain what advantage they can—though it be very temporary—from the currency weapon in addition to every other weapon at their command. Of course, for popular consumption the classic argument is reiterated that any premature currency agreement would directly tend, by knocking the speculative froth off, to lower price levels, thereby defeating the Government's program for industrial expansion. With all due reverence to this line of argument, the immediate reason for Mr. Chamberlain's curt refusal to stabilization proposals is purely political. New elections in England are imminent, and the Government will fight shy at all costs of changing horses in the middle

of the stream. Except for a few diehards who oppose stabilization out of sheer pigheadedness, the majority of clear-thinking bankers and business men in England realize that the present industrial boom is transitory, and that the 1929 stock market levels are artificially high. There is no possibility of finding employment for the two million idle until foreign trade shows more promising prospects of revival. Any economic program conceived with the idea of restoring international commerce to normal activity without stabilization is a foray into new territory and, therefore, on the face of it, suspect.

The Resolutions adopted by the League Economic Committee at Geneva reveal a refreshing practical sanity amid the general confusion of economic thought. The Commerce favors as a first step in correcting commercial maladjustments existing between nations the negotiation of bilateral trade agreements—a policy which has been pursued with considerable concrete effectiveness by Secretary of State Hull. But the conclusion of bilateral treaties is predicted on the supposition that stabilization will be an accompanying development. Even Great Britain's Doctor Burgin, Secretary of the Board of Trade, capped the resolutions adopted with the remark that one of the ultimate objects of governments today is the return to the international gold standard. Not only in Geneva, but in practically all countries, there is a growing conviction that the sooner some anchorage can be given to erratic fluctuations in exchanges, the better it will be for everyone concerned.

The whole quota system which has been so much maligned is, in truth, the only logical protection against an inundation of low-priced goods manufactured in countries of depreciated currency. Should France, or the other remaining countries of the gold bloc, devalue, this step would immediately precipitate reciprocal quotas or upward tariff revisions in the cheap-money countries. Hence gold bloc devaluation would not only nullify the advantages of depreciation abroad, but would accentuate the vicious tendency toward increased nationalism, with its attendant demand for self-sufficiency. The present Italo-Abyssinian conflict has at least demonstrated one salient truth—that attempts at a self-contained national



economy inevitably lead to war. Self-sufficiency led Japan into Manchuria, and lingering starvation may well provide a *causis bellum* for Germany. If war can be prevented in Europe, or even in Asia, it will be prevented no so much by military alliances or the delusive hope of collective security at Geneva, as by the adoption of a saner and less nationalistic attitude towards trade between nations.

France, for one, is ready and willing to scuttle her protectionist policy if given an assurance of equitable compensation abroad. Consequently, the adamant stand of Mr. Chamberlain came as a cruel disappointment to commercial and financial interests in Paris. In this respect it is hard to believe how any competent French observer could expect anything else, since the British

Government has never made any secret of its views on the subject of stabilization. Yet many Frenchmen have assumed—and in this instance the wish is father to the thought—that some sort of international currency accord should be one of the compensations for the rigors of the severe deflation imposed by Mr. Laval. One critic with the singular French facility of attributing internal disorders to external causes, comments as follows: "England, the banker of the world, has turned her back upon her old financial and commercial conquests. In the near future her splendid financial isolation may well endanger the prestige of the Empire." Ignoring the justice or injustice of this accusation, in no case is it admitted in France that an overvaluation of the franc may provide one of the most important obstacles to the restoration of the international currency standard. Indeed, Mr. Laval would probably deny franc overvaluation, and even that a deflationary policy has been adopted, preferring to phrase the government's present program as one of mere economic adjustment.

Without splitting hairs on the question of definition, the French situation is acute. Industry is at a standstill; and agriculture, even with treasury subsidies, is operating in the red. Something must be done. On what shall be done, French opinion is divided into three groups: the deflationists, the expansionists, and the devaluationists. The first category, comprising the government in power, holds to the

(Please turn to
page 50)



Nesmith Photo.

The Bank of France

Significant Foreign Events

By GEORGE BERKALEW

Foreign Representative of THE MAGAZINE OF WALL STREET

Retreat from the Precipice

Bluffs that turned out not to be bluffs, bluffs that were called, and just plain pigheadedness carried Great Britain and Italy to the very brink of war before a face-saving formula was devised to avert the immediate danger. Yet, can Mussolini's withdrawal of a few troops from Libya and Great Britain's withdrawal of a few big warships from the Mediterranean (whose fighting efficiency in narrow seas has been questioned by experts) be said to alter the fundamental situation? Great Britain's attitude towards Italy may be more conciliatory on the surface, but the fact remains that some fifty nations, with Britain taking the initiative, are about to impose drastic sanctions with a view to curbing Mussolini's ambitions in Africa. If they are not effective, they might as well never have been imposed and, in the present temper of the League, there will be a disposition to make them harsher and harsher until they are effective. When this happens, it will be Mussolini's move and it will tax the brains of Europe's statesmen to find a formula which will at the same time save Mussolini's face at home and chalk up a clear victory for the League. In the meantime, Great Britain, a slow starter in the armament race, bids fair to outdistance the field. Right at this moment her airplane factories are working day and night; munitions of all kinds are being stored up for future use and, as soon as the coming elections are over, she is expected to commence a \$1,000,000,000 naval building program. The latter may be modified by what comes out of the approaching naval conference, but from present indications the chances for limitation by agreement are slim. Britain has determined to put herself in a position where she need ask help of no one.

* * *

France—Politically

While the League deliberates, committees convene and disband, French political circles are again dragging in by the hair the question of the German menace, arguing that the bellicose attitude of the Government in Rome has placed another trump card in Hitler's hand. It is evident that the isolation to which Italy has condemned herself, and the fact that she is engaged in a costly and perhaps ultimately profitless venture, favors the spread of pan-Germanism in Central Europe. With such an excellent precedent of military conquest, Germany will soon be in an opportune position to bargain for her former trade



Acme Photo.

PRINCE VON STARHEIMBERG
New Dictator of Austria

crisis throughout the world, which, according to the latest indices, seemed to have reached the point of gradual regression. As the sole contribution of the Italian dispute toward alleviating the economic depression, it has been humorously suggested that the application of sanctions will at least prevent exporters from incurring more bad debts with Italian customers.

* * *

France—Internally

While the political scene holds the spot-light, the weakness of the French internal situation must not be overlooked. Gold is being shipped out of France undeterred by the announcement that the 1936 budget estimates as approved during the last week of September provide for a surplus for the first time in six years. The budget estimates are, of course, ultimately dependent on business recovery.

Government economies of 7½ billion francs fall short of the promised saving of approximately 10 billion francs, projected when the Laval Government took office, constituting roughly a fourth of the State's ordinary outlay. Estimates for military expenditure have been transferred from the Ordinary to the Extraordinary Budget which, in view of competitive armament building in Europe, may prove inadequate, and hence throw the present estimates entirely out of line.

No provision in either of the budgets is made for such items of expenditure as financing the ex-soldiers' pensions

outlets, and demand the restitution of a part at least of her old colonial possessions. The irreproachable attitude of neutrality adopted by the government in Berlin is obviously one of expectancy. One of two things may happen: either Italy, deceived and irritated, will finish by throwing herself into the outstretched arms of the Nazis; or else Great Britain, disillusioned by lack of support at Geneva, will rebuild her diplomatic bridge with Germany.

There is another power which has been considerably strengthened by recent events. This is Soviet Russia, whose authority in Central and Eastern Europe increases in proportion to the loss of Italian prestige. Beyond the portals of the Kremlin, Mussolini's aggression against Abyssinia furnishes a perfect type of propaganda for the Third International. Already in France, as well as in other countries, communist agitation is resulting in a recrudescence of internal dissension.

Finally, beside political and social complications, the war in North Africa will prolong the economic and financial

deficit and required advances for the railway deficit. Apparently the Minister of Finance is inspired by a wish to introduce taxation relief as soon as economic recovery makes itself felt in increased revenues.

For the first eight months of this year revenue results show a consistent decline, the total falling short by over 1,600,000,000 francs of that of 1934. Unless the level of external prices shows a marked rise coupled with a sharp increase in internal business activity during the next fiscal year, French finances are predicted to go from bad to worse. Laval's program of retrenchment may modify the strain to a considerable degree, but lacking an unforeseen improvement in the general world situation, the prospect of genuine industrial recovery looks extremely doubtful.

* * *

Austria—A New Dictator Arises

Just at a time when Austria was caught between Scylla and Charybdis over the matter of applying League of Nations sanctions against Italy, Prince Ernst Ruediger von Starhemberg took the opportunity to make himself virtual dictator of the country. Peacefully to bed one night, the inhabitants awakened to find that a bloodless *coup d'etat* had lost Major Emil Fey his portfolio as Minister of the Interior and that, although Prince von Starhemberg still held his old position of Vice-Chancellor, the shuffle has vastly increased the latter's prestige. So far as the rest of the world is concerned, the change in Austria does not appear to be of any great immediate importance. Austria, it is stated officially, is still estranged from Germany; on the other hand, it means, if anything, that she has swung closer to Italy.

This appears to lessen the chance of Austria abiding by her obligations to the League of Nations in the application of sanctions against Italy.

Since Italian support against Germany was bought with the price of a free hand in Austria, the country to all intents and purposes has become Mussolini's puppet. To refuse to apply sanctions against her patron would create a breach with France and Britain—the other two guarantors of Austrian independence. To apply sanctions against Italy would be an equally dangerous policy.

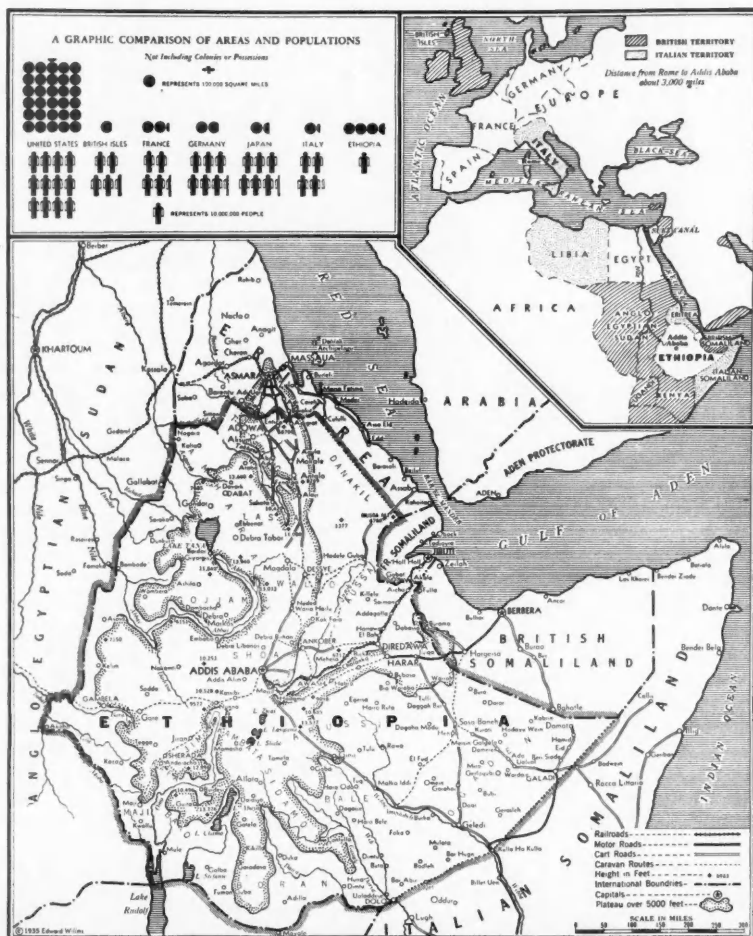
Turkey is in an analogous position. Any altruistic loyalty to the League is quite likely to be submerged in a more tangible desire to continue the brisk business which Turkey is now enjoying with Italy. The precarious stability of Central Europe has been maintained during the last two years, due mainly to the rival imperialistic policies of the two Fascist powers, Germany and Italy. It now appears probable that Italian influence will be diminished and German influence increased. Hungary's affiliations with Germany are strengthening; while in Czechoslovakia indications point to a German minority vote in the presidential election against M. Benes. There is a traditional friendship between Poland and Hungary; there is also a German-Polish pact of non-aggression. With Austria under the thumb of the Nazis, it is not impossible to foresee a change in Polish foreign policy, embodying more positive German leanings. Hence, Austria in a strategically key position has once again been thrown into the forefront of European politics.

* * *

Germany—The Armed Almshouse of Europe

Germany is entering into a period which recalls the dark days of 1919. Weary housewives struggle in vain to secure dairy products and the cheaper kinds of meat for daily family needs. Material misery has become the handmaiden of self-contained economy. Last year Germany was able to overcome her shortage in domestic supplies by incurring a large foreign commercial debt. Now there is

no possibility of further borrowing abroad, and a considerable proportion of the foreign exchange available has to be expended in repayment of debts previously incurred. Purchasing power is down to rock bottom, with private consumers impoverished by taxation to finance the vast rearmament program. Although the production index of manufactured goods increased 30 per cent, as compared with last year, this increase in activity has been accompanied by a reduction of only 10 per cent in the costs of materials and foodstuffs. High prices and vanishing incomes have brought about a drastic decline in the official figures on retail turnover—the most significant indication that the German economy is in a state of collapse. (Please turn to page 55)



Q New Products, New Machines, New Processes, More Comforts and Luxuries—and—

More Business to Come

A Remarkable Record of Industrial Achievement During Six Years of Depression

By LAURENCE STERN

"We hope time will justify our belief that man's advance to higher and more complex states of civilization cannot be but temporarily deterred; that the plants we build cannot be but temporarily idle."

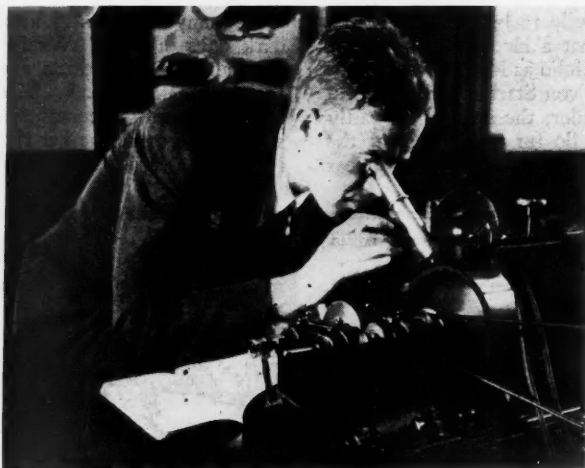
THESE words happen to have been spoken by Edgar Monsanto Queeny, president of the Monsanto Chemical Co., but their significance extends far beyond this one enterprise, its progress, its endless research. If one were asked to state the common creed of American industry it could not be better put. It is the creed of faith and progress.

Administrations come and go with the swings of the political pendulum. The business cycle rises and falls in its inscrutably appointed way, but the creative genius of industry only bends more intently upon its task. To its faith and inspiration we largely owe an unequalled standard of living and a great portion of all present business activity. To its accomplishments of the depression years in new products, new processes and new methods we will largely owe the inevitable advance to new peaks of business activity and living standards in the years to come.

There are more than 1,700 industrial research laboratories in this country today, against only 200 ten years ago. Could one collect even partial data from all on the progress of a single year and its effects upon the goods and services of every day life, the merest summary of such information would fill volumes.

Such being impossible, we have asked a limited number of large corporations to tell us briefly of their most important new products, new processes and new applications of existing processes developed since 1929 and to give us some idea, if possible, of the importance of such developments upon their business volume, present or potential. This article is a brief summary of the most significant resultant data.

It is appropriate to begin with the Radio Corp. of Amer-



Courtesy, Hercules Powder Co.

ica for it has disposed of our inquiry by stating, in effect, that virtually all of its products, methods and services are new since 1929. In manufacturing its only old business consists of repeat orders on old type vacuum tubes. In operations and broadcasting practically all of its business is done with new devices and new apparatus.

A few of this company's developments since 1929 include the all-wave radio receiver; automatic volume control devices; the cathode-ray tuning indicator or "Magic Eye"; a portable, short-wave combined receiver and transmitter; the "gun-detector" which can electrically detect a pistol on a passing pedestrian; the "watch analyzer" which amplifies the sounds of a watch and permits the expert to diagnose conditions by these sounds; photophone projectors; home recording apparatus; automatic alarm for picking up S O S calls; facsimile service to ships; multiplex radio transmission; development of television; trans-Pacific radio telephone; the use of the echo chamber in broadcasting for producing the illusion that the sound is being produced in any one of many types of rooms, etc.

The Westinghouse Electric & Manufacturing Co. summarizes new central station equipment which it believes should figure importantly in expanding the annual market demand of the central station industry from a present figure of \$40,000,000 to a potential total of \$150,000,000. Among such apparatus are surge-proof distribution transformers, transmission line De-ion protectors to make transmission lines surge-proof; Polaricode supervisory control for control of distant machinery; sodium vapor street lights; Pilotel remote metering; pole mounted network protectors; and various radical improvements in power transformers.

Another new Westinghouse development is the steam jet vacuum cooling unit for use in air conditioning, with an immediate potential market estimated by the company at \$2,500,000 a year.

New Westinghouse products in transportation equipment include Diesel engines for locomotives and rail cars; heavy duty electric locomotives which weigh only 80 pounds per horsepower and can continuously deliver 5,000 horsepower whereas a few years ago locomotives weighing 175 pounds per horsepower and delivering 2,000 horsepower were considered the last word in passenger locomotives; the modern trolley coach and new type street cars.

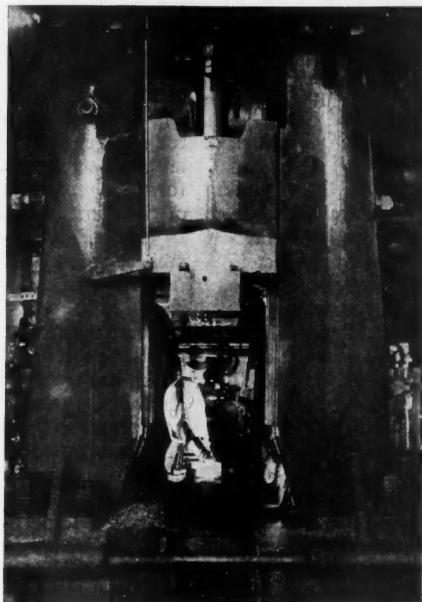
For the new Diesel and new electric locomotives the potential market is estimated to be at least \$750,000,000. The potential market for electrical equipment in the new street cars and trolley coaches is estimated at \$4,000,000 a year for the next five years against less than \$400,000 annually in recent years.

New Westinghouse industrial equipment includes a tension maintaining device for strip mills; application of direct current motors to coal saws; splashproof motors; a new and better insulation for motors; ignitron spot and seam welding timer; bell-type electric furnaces capable of effecting economies as high as \$3 a ton in production of cold rolled steel sheets, strip and wire; and a continuous type electric furnace.

The company estimates the 1935 market demand for such products at \$145,000,000 and the potential market is nearer \$250,000,000. The potential markets for electric refrigerators, ranges and washers—all radically improved since 1929—are estimated by Westinghouse at, respectively, \$1,690,000,000, \$1,221,200,000 and \$210,375,000.

The General Electric Co.'s more important new products of the five depression years include "Thyrite" material which has the property of being a conductor at one voltage and substantially an insulator at some lower voltage; also "Thyrite" lightning arresters offering cheaper as well as much greater and more reliable protection; and electronic control. The versatility of these electronic tubes in rectifying, converting, inverting, regulating, measuring and controlling has resulted in widespread substitution of them for electro-mechanical methods of current control.

Thrustor-operated brakes, an electrically operated hydraulic device, provide a virtually ideal braking performance, especially on heavy equipment. In potentiality of future effect upon gross business, air conditioning equipment ranks among the most important General Electric developments during the depression. A



Courtesy, Chevrolet

wide variety of this equipment, including a new unit type oil furnace, was introduced in 1932, bottom year of the depression. In the expanding field of plastics, the same year saw development of bearings of "Textolite" suitable for the heaviest duties in steel mill service.

The same depression year produced General Electric's Emmet mercury-vapor process under which remarkable equipment turbines operating with mercury vapor at 125 pounds pressure produce both electric energy and steam at a lower fuel cost than has ever before been attained. The same year also saw introduction of gear-motors, since widely accepted.

In 1933 major General Electric developments included electric and air conditioning equipment for stream-line trains, unit room coolers, photoflash lamps, sodium-vapor lamps, the most powerful X-ray apparatus ever put in practical use, and the application of "Pyranol,"

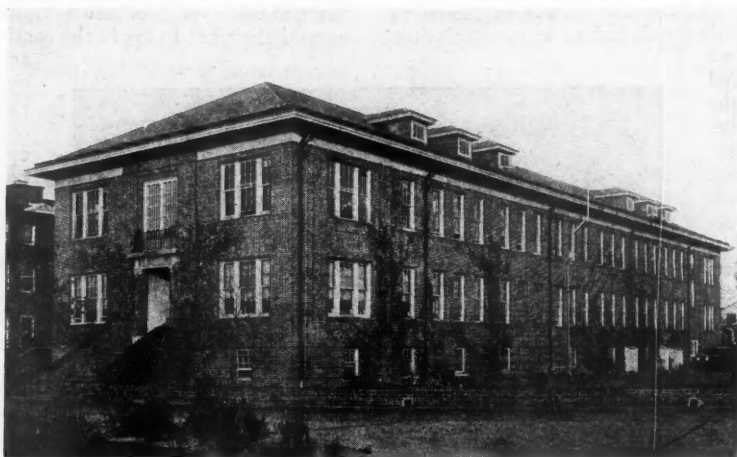
the new nonflammable insulating and cooling material, to network transformers.

The year 1934 brought from the General Electric "House of Magic" an entirely new system for the transmission and distribution of power, the basic feature of which is that a nonsynchronous tie becomes possible so that systems of the same or different frequencies can be connected without difficulty. The new "Lumiline" lamps and high intensity mercury-arc lamps for street lighting also were developed in 1934, along with still further improvement in X-ray equipment, trolley coaches and Watthour meters.

The present year has seen further development of the revolutionary system of direct current transmission above referred to; introduction of metal radio tubes asserted to be of greater continued efficiency than the glass type; the largest plastic moldings ever made in commercial quantities; development of the "Thyratron" motor, a revolutionary new type motor which operates from a.c. power but with the characteristics of a d.c. machine; and three new automatic voltage regulators.

In proportion to General Electric's total volume of business, the above and scores of other new products are officially stated to have accounted during the past five years for 10 per cent more volume than new products accounted for in the prosperous years 1926-1930.

To which it may be added that General Electric's business



Courtesy, E. I. duPont de Nemours & Co.

Dyestuffs Research Laboratory

this year will not be much over half that of 1929—but is seven times the volume of 1900, three times the volume of 1910 and two and one-half times the volume of 1915. For this remarkable showing in little more than a generation research can not be given too much credit.

The chemical industry perhaps more than any other reflects the fruits of ever broadening research. The great E. I. du Pont de Nemours & Co., for example, has figuratively beat its sword into a plow-share since the war. Founded on gun powder for military purposes, this enterprise saw only 2 per cent of its volume in this product in the decade ending last year. Rayon, cellophane, extraction of nitrates from the air, synthetic camphor, new organic chemicals and scores of other scientific and technical developments are chiefly responsible for the fact that du Pont earnings from operations this year probably will exceed 93 per cent of the 1929 total.

For the other great chemical companies the story of expanding business volume through research and new products or processes is much the same. For example, the number of patents granted the Union Carbide & Carbon Corp. in the four years 1931-1934 were, respectively, 168, 181, 223, and 302—a total of 874. This company's sales of industrial gases, used largely in steel manufacturing, metal fabricating and repair, are at the 1928-1929 level although most of the industries which are largest users of these products are still depressed.

The speed of change in this industry is even more strikingly reflected by the fact that out of eighty synthetic chemicals which were being commercially produced by Union Carbide at the start of this year eleven had been introduced during 1934.

The amount spent for research by the smaller Monsanto Chemical Co. in 1934 was equal to more than 17 per cent of net income reported and was an increase of 11 per cent over such expenditures in 1933. To keep abreast of the revolutionary changes going on in the industry, this company has officially stated that a "much larger amount" will be spent for research during the year now drawing to a close.

As pointed out by Monsanto, petroleum is now yielding chemicals that formerly came from coal tar or from vegetable sources, petroleum gases yielding such standard chemicals as ethyl alcohol, isopropyl alcohol, butyl alcohol, acetone and acetic anhydride. On the other hand coal threatens to encroach on the oil industry through the hydrogenation process. It would be a bold prophet, indeed, who attempted to predict a limit for the chemical industry, the developments that lie ahead and the further expansion in aggregate business that they will induce in coming years.

What chance is there for steel? It was killed and buried forever by the depression—if one believed many of the predictions going the rounds not very long ago. Yet with the railroad and construction industries—two of its former most vital markets—still seriously depressed, the steel industry this year will turn out more than 30,000,000 tons of ingots or more than 71 per cent of the 1923-1925 average production. It was not until after 1915, or within the present generation, that steel production con-

sistently exceeded the present level that we regard as depressed.

That production has recovered to as much as 71 per cent of the 1923-1925 average, with demand for the heavy steels still depressed, is due in important measure to new uses for steel, especially in lighter products and alloy steels, the latter being marketed in almost countless variations of formulae. As to this progress, George M. Verity, chairman of the American Rolling Mill Co., states to us:

"The six-year period from 1929 to date has been the most active in research, development of products and manufacturing processes which we and other steel companies have ever experienced. It would be impossible for us to evaluate the results of the constant work that we are doing, but there can be no question of the importance of the work which has been carried on constantly by the various progressive steel companies.

"Our company is especially interested in the production of sheets and during the past few years the methods of manufacture of sheets have been almost completely revolutionized, primarily due to our development of the continuous mill method of rolling. Also, great strides have been made in the use of sheet products. There is constant evidence of this through the designs of present-day automobiles, refrigerators and vitreous enameled sanitary ware formed from sheet-iron and steel. Metal houses give further evidence of the development in the use of iron and steel.

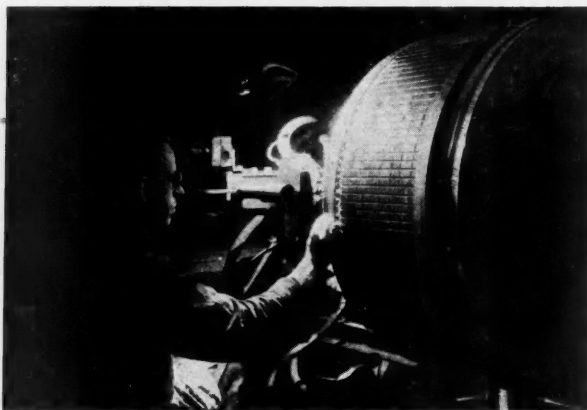
"Research development has been one of our foundation stones for many years and has become increasingly important to us as a means for progress."

William A. Irvin, president of United States Steel, believes the industry is headed for the production level of 1928 or 50,000,000 tons of ingots. As promising future fields, he points to alloy steels for trains, street cars, trucks and buses, aviation; steel superstructures for ships to reduce fire hazard, spreading use of steel containers for beverages and increased use of steels for office interiors and for residences.

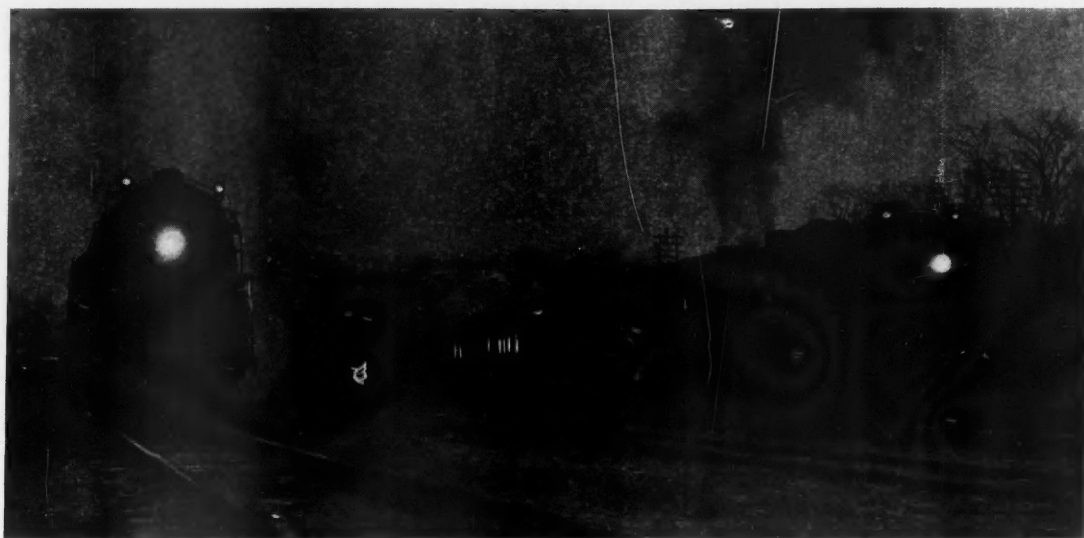
Improvements in methods of heat treating and physical testing of steels, as a result of organized research, are so numerous and important, he adds, that only experts could comprehend them. In adaption of improved mechanical equipment hot strip mills and cold reduction mills top the list, while die rolling, electric welding, improved seamless tube mills and furnaces for heating steel in controlled atmospheres are performing new services.

This industry, which in 1932 had fallen back to the production level of 1900, is this year spending more than \$100,000,000 on production facilities—not primarily to expand them but to apply the continuing fruits of research and technological development to their improvement.

Business-building developments in products and processes of the Anaconda Copper Mining Co. since 1929 include an improved refining method for electrolytic zinc resulting in a purity of 99.99 per cent, which has contributed to rapid expansion in use of zinc base die castings; a thin sheet copper made by electrolytic deposition and now widely used for waterproofing foundations, floors and walls, for con-



Courtesy, Westinghouse Elec. & Mfg. Co.



Fechner Photo, from Nesmith

The Outlook for Rail Recovery

Heavy Industries Play Major Part in Gauging Investment or Speculative Opportunities

By FRANKLIN SNOW

WITH the production curve of the durable goods industries showing a definite rise, railroad traffic experts are asking each other why this is not reflected in substantially heavier tonnage, and consequently revenues, for the rails. They profess to be as much mystified as any one else that the rise in steel production and in the output of other "heavy" industries has, as yet, had little apparent effect upon railroad earnings.

Yet there is quiet confidence that the accelerated rate at which car loadings began to increase in August is not merely another flash in the pan but may mark a definite trend. For example, the Pennsylvania Railroad, on the basis of its own studies of business indications, decided a month ago that fall business would be 5 per cent above that of a year ago and its traffic officers have now concluded that this estimate was "ultra conservative." The Shippers' Advisory Board made the same forecast and in this instance, at least, its usually too optimistic guess may fall short of the mark.

Heavy Industries the Key

There is no doubt, however, that the heavy industries are the key to the situation—not only in respect to recovery nationally, but more specifically, for the railroads. If the pace at which the heavy goods industries have been improving falters, with a decreasing volume in bulk raw materials and finished goods shipped, the railroads will be

even nearer the sheriff than in the recent past, and with smaller resources or collateral with which to obtain additional loans. The converse of this dire prospect is also fortunately true; for with continued improvement in general business, with its attendant acceleration of capital goods industries, it is easy to envisage the majority of roads on their way to better times.

A sizable crop movement in conjunction with the traffic developed from the heavy industries will have the effect of lifting railroad earnings materially, both gross and net. In fact, the revenues can be carried through to net at much larger ratio because an increase in cars handled will not involve a proportionate increase in cost. So confident is the Pennsylvania, for example, of this prospect that it has already estimated that its earnings per share this year will be \$1.75 against \$1.43 last year.

Traffic That Will Not Return

Not all roads can afford to be as optimistic as this, however. The shipment of goods by other means than rail has definitely closed the door to recovery of former traffic levels for some. Atlantic Coast Line, for instance, has lost a great deal of its profitable citrus fruit traffic to coastal steamers with refrigerated compartments and will not regain it. Similarly much of the oil traffic formerly handled by Missouri-Kansas-Texas has gone to the pipe lines beyond hope of reclamation. The aggregate of such

factors in some measure accounts for the lower totals of car loadings for the country as a whole which have prevailed for five years or more. In addition they are bound to temper the extent of the expected improvement.

An Encouraging Estimate

With such allowances in mind, however, the latest forecast of the Regional Shippers' Advisory Board is more encouraging for the fourth quarter. It shows a 6.4 per cent increase for the country as a whole, with only one district anticipating a decline (the Trans-Missouri-Kansas, which expects a 5 per cent drop). Increases range from 2.9 per cent in New England to 31.3 per cent increase in the Great Lakes Region. Here, in this region, lie the huge steel mills in Pittsburgh, Cleveland and Youngstown; the automobile factories in Detroit; the rubber and tire factories of Akron and other important manufacturing cities served by the great trunk lines—the Pennsylvania, New York Central, Baltimore & Ohio, Erie and others.

If these gains materialize they will be more impressive when it is recalled that car loadings so far this year are within 15,000 units of the total for the corresponding period of a year ago despite the fact that last year saw heavy freight movements with the Government buying huge quantities of live stock and shipping it out of the drought areas. The weekly rate of car loadings began to pass that of a year ago in August and rose to 700,000 cars per week in anticipation of the coal strike in mid-September. Some ground was lost of course when the strike became an actuality, dropping the total to 630,000 cars for the last week in September; but a resumption of the uptrend is now apparent and further gains are anticipated. The lag which has existed between freight traffic and general business should be made up as an increasing amount of the orders which have been in process in the production goods industries are translated into actual shipments.

Despite higher operating costs, occasioned in part by the increase in wages forced upon the carriers, the expected gains in freight movements should be reflected in more favorable earnings in the fourth quarter than for any recent quarterly period.

Additional favorable factors are: the mildly upward trend of passenger revenue (approximately $2\frac{1}{2}$ per cent over 1934) which may soon be further improved as executives are gradually convinced by the results, of the wisdom of lowering fares to meet bus competition, and also, the possibility that when the Interstate Commerce Commission finally effects an organization to enforce the Motor Transport Act, there will be direct benefits to the rails through placing their highway competitors under some restrictions as pertaining to publication of rates, hours of service for their employees and other factors which will make the competition more equitable.

Naturally the force of these trends and developments will not find equal reflection in all roads. Some are far

more favorably situated than others. Obviously, those which have weathered the depression in a strong earnings position such as Chesapeake & Ohio and Norfolk & Western will continue to register improvement. On the other hand some others which were sorely depressed should come forward rapidly. Take Great Northern, which has doubled in price in recent months. Here is a typical case of a heavy industry beneficiary. True its freight volume has been augmented by considerable non-recurring Government traffic, hauling earth and other materials for public works, but its iron ore tonnage is markedly on the upgrade.

Think of steel and think of ore. Great Northern taps the important ore regions northwest of Lake Superior and when the ore begins to move, Great Northern is in a highly favored position. Handling the ore in 100-car trains or longer, the movement is downgrade to the head of the Lakes, where it is loaded in ships at Duluth.

When the steels begin to move upward Great Northern is never far behind. This year, estimates indicate earnings for the road of upwards of \$2 a share, while it is reported that a satisfactory basis is being evolved for refunding the heavy maturity next year of its general 7 per cent bonds, totalling \$103,859,000, whereby half may be paid off in cash through R F C loans and the remainder exchanged for lower interest bonds. This, in turn, will save the road nearly \$3,000,000 annually in interest charges, if $4\frac{1}{2}$ per cent bonds replace the present 7s.

New York Central

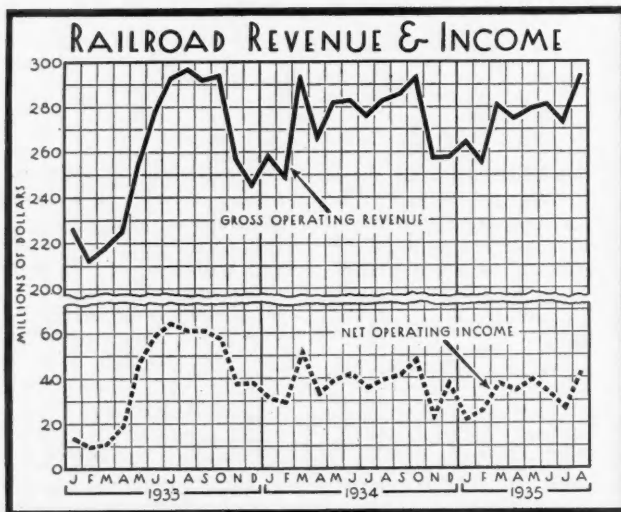
Another road in which there is always extensive security interest is New York Central. Batted about for five years now; its stock still within 12 or 14 points of its all-time low; its freight traffic badly shot and its passenger

traffic but a skeleton of the one-time impressive figures (with the Twentieth Century Limited now averaging only 70 passengers each way daily) Central is a bit groggy. Its bank loans aggregating approximately \$64,000,000 fell due recently and the railroad sought to extend them, with a "staggered" series of maturity dates. The banks apparently were willing to do this and to accept 4 per cent in place of the present $4\frac{1}{2}$ per cent, the Interstate Commerce Commission sanctioned it, but Jesse H. Jones, chairman of the R F C, would not give his approval. So the

loans are now maturing December 1, on the existing basis of a 60-day renewal, and Mr. Jones' "tribute" to the Central's management has not had any too happy an effect upon its stock. During the ensuing year, Central has a \$5,000,000 maturity of its Beech Creek Railroad 4's and \$5,179,000 of the C. I. St. L. & C. 4's. But after 1936, it should experience smoother sailing, with no maturities of importance.

The boom in the motor industry is a big factor, for the Michigan Central gets a substantial proportion of the traffic into and out of Detroit. Similarly, steel is a factor to Central, for its P. & L. E. line taps Pittsburgh and Youngs-

(Please turn to page 50)



Bankruptcy As a Cure Instead of Business Death

How the New Procedure Under the Famous Section 77 Varies from the Old Type of Receivership and How Investors Are Affected

By THEODORE M. KNAPPEN

INSOLVENCY is not the humiliating thing it was once upon a time. The kind modernized United States bankruptcy law doesn't even call you a bankrupt any more. You are politely designated as "the debtor" or "the petitioner." Indeed, in some communities you are considered a rather deplorable type of citizen if you refrain from taking advantage of the new sugar-coated constructive bankruptcy laws. If you are down but hesitate to go out of full or partial insolvency the community may brand you as a social enemy, for the offense of blocking recovery by stopping salutary deflation as a preliminary, perhaps, to inflation. At the same time, the improved laws are aimed at making the business of wilful failing less profitable and more hazardous than it was in those recent days when all rackets flourished.

Mr. Hoover's Presidential sun was close to the western horizon—March 3, 1933—when the 72nd Congress's public act No. 420 became law. Tacked onto the venerable bankruptcy act of 1898, which was brought into being to clean up the rubbish and debris of the depression of 1892-98 it opened the way for orderly compositions and extensions for business cripples, without receivers or trustees in bankruptcy. The ordinary individual debtor, without regard to social function, was given a chance to redeem and restore his property and business without going through the lethal cleaner. To the farmer was given a special sort of chance to climb out of the mire of insolvency. To the railroads was given means of obtaining an immunity from the curse of too much debt that was tempered to their complexities of debts and the ramifications of those obligations, Sec. 77.

A year later the general run of corporations was provided by Congress with an escape from the worries of unmanageable debts. Sec. 77B is the designation of this trouble destroyer. It was touched up a bit more at the last session of Congress, and the farmers, having lost out in the original Frazier-Lemke bankruptcy amendment are

The object of sections 77 and 77B is to reorganize without wrecking, to salvage and rebuild rather than to destroy. The old management may remain in control but it is charged by the court to present within a set time a plan of reorganization which is acceptable to a majority of security holders and creditors as well as to the court and other supervisory bodies.

trying again. The same session, listening to the Railway Co-ordinator, drafted something grander still for railroads that if not insolvent at least concede that they are "unable to meet their debts as they accrue."

The object of sections 77 and 77B is to reorganize without wrecking, to salvage and rebuild rather than to destroy; to that end a plan must be presented acceptable to security holders, creditors and the court within a definite

time set by the court. The old way was to appoint a receiver, and sell out the assets—sooner or later. Reorganization, if any, came after the death of the corporation. Now it is possible for the owners of a corporation to apply plastic surgery while it is alive and in their control, and keep it intact from the processes of receivership; which used to be largely a legal arrangement for somebody other than the debtors and, perhaps, than the creditors to get possession of the assets. The bankruptcy courts, upon acceptable petition, now step in and see that the sick business is reorganized under a trusteeship if the stockholders and debtors or any considerable proportion of them so desire—and despite the opposition of recalcitrant minorities. Under the old way the assets might be conserved for somebody but there was not often much for the owners, particularly for the stockholders.

Under Sec. 77 there is possible rehabilitation for the 65 railways totaling 64,000 miles which are now in some form or degree of insolvency, a mileage considerably greater than was ever before recorded in the courts of receivership and bankruptcy. The Frisco was the first railway company to file a petition under the new law. That was in 1933—and it is still in limbo with no benefit of the law. Petitions and plans in reorganization have been filed by the Missouri Pacific, the Chicago & Eastern Illinois, the Chicago, Milwaukee & St. Paul and the Western Pacific. The Chicago & Northwestern has filed a petition for permission to take the easy way out of its embarrassments.

(Please turn to page 55)

One Year or Ten Years?

—U. S. Steel's Dividend Prospects

To What Extent Has the Outlook for the Common Stockholder Brightened by the Recent Improvement in the Industry?

By HENRY RICHMOND, JR.

CONSERVATIVE for years, almost to the point of dry rot, it has taken the huge deficits of the depression years to jolt the Steel Corp. into taking stock of itself and its methods. Still among the largest of companies, the keystone of its industry, a bellwether in the stock market, no longer is it to be found Buddha-like before a golden-oak desk waiting for business: United States Steel is now ringing doorbells, and more besides. The company, under the comparatively new regime of Myron C. Taylor, has commenced to give itself the greatest shaking-up of its history and one can count upon the performance to be interesting, instructive, and probably constructive.

On Three Fronts

The shake-up is taking place simultaneously on three fronts: (1) Consolidation of subsidiaries; (2) Modernization and the abandonment of unprofitable plants; (3) Accounting practice.

A most important step under the first heading has been taken already. Two large, wholly-owned subsidiaries, the Carnegie Steel Co. and the Illinois Steel Co. have been consolidated and from now on will be directed from a central office in Pittsburgh. The combined steel-making capacity of the two organizations is in excess of 20,000,000 tons a year, which is approximately 73 per cent of U. S. Steel's total capacity and about 29 per cent of the country's total. The merger will be headed, not by the president of Carnegie, not by the president of Illinois, but by Benjamin F. Fairless, who was persuaded to resign from Republic Steel in order to take the job. Later it was announced that the Lorain Steel Co. of Johnstown, Pa., and other subsidiaries would be part of the consolidation.



Seacheri Photo, from Nesmith.

Fundamentally, these moves were part of the general plan for the achievement of greater efficiency; there were, however, other more immediate reasons. Since the passing of the Holding Company Bill by our New Deal Government, executives of all large, widely-spread corporations have had the jitters, Public utility holding company executives know now, what it is that they are up against. There was, however, much talk in Congress of applying the utility bill more generally and the Steel Corp., with subsidiaries in the neighborhood of two hundred, might look like the best of targets. Thus, a certain

urge to simplify now, lest simplification be forced upon one some time in the future.

Money Saving Mergers

Another valid reason is to be found perhaps in the Government's prohibition of consolidated income tax returns. In the past, when one subsidiary lost money the loss was deducted in effect from the profits of another subsidiary. Today, while the losing subsidiary would pay no tax, the subsidiary with earning power would pay on all its profits. At the present time, it would be harder to find subsidiaries doing more variedly than those of the Steel Corp. For example, last year, operations were so far below capacity that the company just did not have the heart to bring iron ore into its operations at what it really cost to produce, but charged nearly \$8,000,000 ("overhead" on iron ore properties, of which the greater part was taxes) directly to profit and loss, rather than to operating accounts. Again, we suspect that Lorain Steel, whose business is manufacturing railroad frogs, grooved rails and other transportation specialties, did exceedingly badly last year and had the loss

not been brought into a consolidated account, the parent company's tax bill would have been materially higher.

Finally, in the consolidation of subsidiaries there are to be found certain direct savings. Although there was never any complete duplication of sales forces between Carnegie and Illinois, nevertheless the merger will result in further simplification and economy. In addition, there should be a moderate reduction in bookkeeping expense and the expense of keeping surplus corporations alive. All this, of course, is for the good of the Steel Corp.'s stockholders.

Millions for Plant Changes

The second phase of the shake-up in United States Steel involves the modernization and renovation of existing properties and the abandonment of those no longer useful. Along these lines not a great deal has been done actually so far, although there is no question of developments being of the greatest importance. Myron C. Taylor, chairman of the board of the Steel Corp., said somewhat vaguely the other day that the company was currently engaged in spending \$70,000,000 in plant changes, modernizations, etc., and would be called upon to double this amount within the near future—\$140,000,000 will accomplish a vast amount of rehabilitation.

As yet, the plant abandonment and retirement program is not very far along. A minor plant here, one there, abandoned; a blast furnace or two, as in the case of Cleveland's Newburgh Steel Works, dismantled, is about as far as it has gone. One feels certain, however, that more is to follow; real activity on this division of the program probably depends to some extent upon the result of a survey that is now being made.

Such survey was first revealed in the Steel Corp.'s report of last year. This is the way it appeared: "The subsidiary companies are at present engaged in making a detailed analysis of their net investment in depreciable property which will involve an adjustment of allowances provided for general depreciation during past years. This analysis will be complete some time in 1935. It is impossible at this time to determine what the approximate amount of this adjustment may be. Therefore, no allowance for it is reflected in the accounts at December 31, 1934. Any consideration of net property investment and surplus accounts shown in this report should accordingly be made subject to final determination as indicated." It was on this concrete evidence that mention was made of the bookkeeping shake-up in the first part of this article; it connotes, of course, that the company is dissatisfied with past depreciation policies, feels that depreciation reserves are not adequate and consequently net property valuation too high.

Additional evidence backs this conclusion. At the end of last year the Steel Corp. carried its properties, after

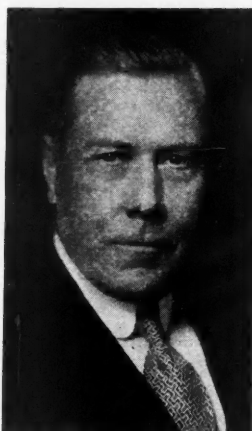
depreciation, depletion, etc., at the net amount of \$1,600,000,000. For 1934 depreciation, depletion and obsolescence, charges were in the neighborhood of \$44,000,000, or well under 3 per cent on the net property valuation. Admitting that a portion of the company's property is undepreciable (although it is hard to see that anything at all is not subject under certain circumstances to a permanent reduction in earning power value) and also that much of it cannot be duplicated at any price, nevertheless 3 per cent for depreciation is not a figure that would startle the imagination because of its size. It would look differently, of course, were tremendous sums being charged to "maintenance," but this is not the case—\$51,000,000 last year and \$38,000,000 the year before, including the transportation properties.

Return on Investment

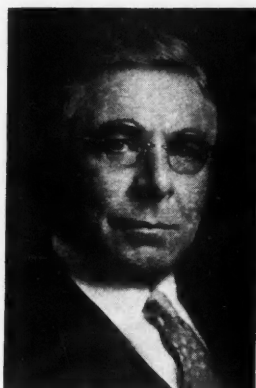
It is often said that the steel business is a feast or a famine, but even in the feast years of the late twenties the Steel Corp. earned what under the circumstances must be considered not a particularly large return on its net property valuation—in the neighborhood of 10 per cent—and the yearly average since the War is much under this. Is it not reasonable to contend, when the return on net property valuation is small over a long period of years, that as a practical matter the trouble lies with the property valuation, not with the return? For years, the railroads snorted about earning 2.7 per cent, or 3.1 per cent, or something on their property valuation when the Transportation Act seemingly gave them the right to earn 6 per cent without "recapture" of even part of their earnings. Did it do them any good? It certainly did not and everyone knows now that as a practical matter the railroads of the country for the most part are grossly over-valued and grossly over-capitalized.

Railroads have only been brought into this discussion for the purpose of illustrating what time can do to previously conceived ideas of property valuation. A well-maintained railroad can contend logically that its property never depreciates in the physical sense; but parallel it with a four lane super-highway. . . . Similarly, although there is no question of the case that could be made out for the Steel Corp.'s present book values, it is suspected that the changes of time have caught the company unawares. Geared to the demands of railroads and other consumers of heavy steel, for its size and prominence it

is ill-represented in the field of sheets, strip and other light steels taken in such remarkable quantities over the past few years by the automobile, the household refrigerator and like lines. Hence, the \$140,000,000 expansion program, much of which will go for modern machinery with which to make these light steels. If the demand for heavy steel



MYRON C. TAYLOR
Chairman of the Board



W. A. IRVIN



W. J. FILBERT

President, and Chairman Finance Committee, respectively

Blank & Stoller Photos

comes back—and conceivably it might never again be as important a part of the business—all right; if not, then the Steel Corp. to hold its prominence in the industry needs to wage successful war against a number of strongly entrenched independents which have learned already how to make money in light steels.

Meaning of Bookkeeping Changes

Although the consolidation of subsidiaries and the expenditures being made for modernization and expansion clearly have a direct effect upon Steel's stockholders, the reason for the discussion of property valuation and depreciation may be less obvious. No pen-scratched entry in a ledger, of course, makes the slightest difference to the real value behind a stock; it can, however, radically alter the apparent value and, as this is frequently confused with the first, shocks often result from bookkeeping changes. Suppose that the survey of depreciable property reveals that current reserves are not adequate; what are the steps that might be taken to adjust them? Would U. S. Steel materially write down its property account by utilizing earned surplus as so many corporations have done over the past few years?

We have no doubt that such a course would go directly against the company's conservative gain. Yet, it would make stockholders feel better (for no valid reason) in subsequent years and the only real objection to it, is that it spoils a continuous record of consistent accounting practice. As of December 31, 1934, United States Steel Corp. had an earned surplus of roughly \$529,000,000, \$270,000,000 of which was stated to have been appropriated and invested in capital expenditures. It could all be employed in writing-down property accounts, while—perish the thought—a reduction in the par value of the common from \$100 a share also would provide ammunition for the same objective.

Whether or not the Steel Corp. within the near future makes any radical change in its balance sheet for the purpose of (1) Bringing property valuations to a more representative level, or (2) Lowering the burden of depreciation charges—and within the company there are going to be many objections to such a course—the fact remains that changes in the balance sheet are extremely likely as a result of a settlement of preferred dividend accumulations. At the end of this year, dividends of \$16.25 a share will have accumulated on 3,602,181 shares of preferred stock, or not far from \$60,000,000 in all. How are these to be liquidated? There are several possibilities: (1) By a bond, or debenture issue (2) By issuing additional preferred stock (3) By payment in cash, the cash being derived from earnings.

The great objection to the first plan is that the United States Steel Corp. towards the end of 1929 retired some \$270,000,000 of its own bonds and some \$30,000,000 of subsidiary bonds, about \$142,000,000 of the money being derived from the sale of stock to common stockholders at

\$140 a share. The fact that this debt retirement took place on the eve of a great depression may possibly have saved the corporation from receivership and certainly saved it the necessity of borrowing very heavily from the banks. Total debt service charges last year were \$32,000,000 less than in 1928. Thus, it is apparent, had the 1928-rate of charges persisted throughout the depression, there would have been nothing left of the \$68,000,000 in cash and \$122,000,000 in marketable securities which existed at the end of 1934. In view of what the company has been saved by debt retirement, its eagerness to stick its head into another possible noose is very questionable.

A similar objection to the issuance of preferred stock would not be so strong, although undoubtedly it would be realized that if the company's business slumped again, preferred accumulations would pile up faster than ever; preferred stock, however, is a possibility. The third way of liquidating present preferred accumulations—by cash derived from earnings—depends for its success within a measurable future on still further material betterment in the steel industry. Let us see what gains are necessary.

Back Towards Profits

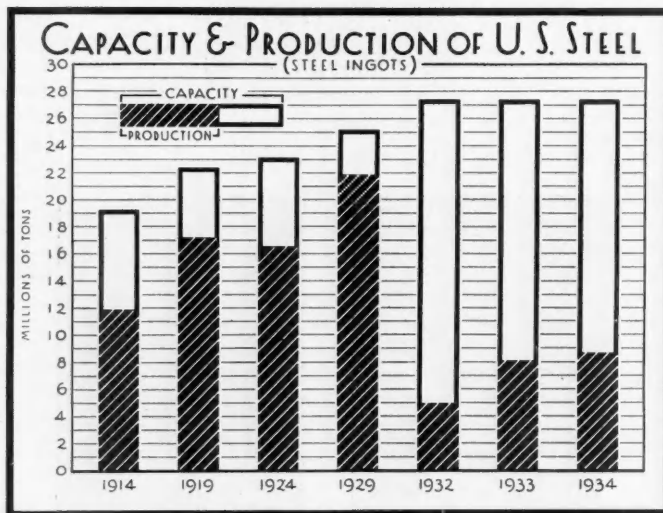
For 1932, the Steel Corp. reported a net loss of \$71,000,000 before preferred dividends, the deficit after dividends totalling \$92,000,000. This was the worst: in the following year the deficit after dividends was \$44,000,000, while during 1934 further gains were made, the deficit being \$29,000,000. For the first six months of this year, the deficit after dividends was \$6,500,000. It is apparent, therefore, that substantial progress has been made already and the final deficit which will be reported for this year should not be much more than, say, \$10,000,000.

In September the Steel Corp. shipped 619,000 tons of finished steel, slightly less than in August because of a reduction in working days. For the first nine months shipments totalled 5,341,000 tons, compared with 4,797,000 tons in the first nine months of 1934—a gain of about 11 per cent. With a rated capacity of finished steel products for sale of about 19,200,000 tons annually, the company's production this year will prove to have averaged in the neighborhood of 35 per cent, which would be 4 per cent better than the

rate at which the corporation operated last year.

United States Steel evidently requires to operate (on the basis of wages and prices as they currently exist) throughout the year at something above 40 per cent of capacity in order to break even, at possibly 45 per cent of capacity to earn preferred dividends and at, at least, 50 per cent of capacity before anything material would accrue to the common stock. This affords a rough yardstick of how much more progress is necessary before liquidation of the preferred dividend accumulations can be accomplished out of earnings. And, under present conditions

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Q Do You Know How New Proxy Rules Affect You as a Stockholder or What Is Being Done About Investment Trusts, and Holding Companies?

New SEC Rulings Interpreted

By J. C. CLIFFORD

NOW that the country as a whole has become accustomed to the Securities & Exchange Commission's regulation of the business of dealing in stocks and bonds, it is not generally realized perhaps how intensely active the Commission continues to be. This is, of course, understandable. The stock-owning public, the stock exchanges, dealers in securities and bankers, were all scared out of their wits when regulation first went into effect, but when, after a time, they discovered that nothing very terrible had happened there was a disposition, as SEC drifted off the front pages of newspapers to the financial section, to accept it. But various rulings of the Commission are too important to security traders and investors to be overlooked. We are giving, therefore, a short digest of the SEC's more important activities in recent months.

Proxy Rules. Recognizing that in the past the solicitation of proxies had been a source of abuse, the framers of the Securities Exchange Act of 1934 inserted a section giving SEC the right to promulgate rules and regulations concerning the practice. This has now been done. The basic idea behind the new rules is that the person whose proxy is being solicited has a right to know who is behind the solicitation and for what purpose it is being made. If the management of the company is the solicitor, it must say so; if another person or persons, they must say who they are and what interest they hold in the company. It is necessary also to give the stockholder a brief description of the questions upon which the solicitor intends to vote his proxy. Finally, and not the least interesting of the new proxy rules, is that any stockholder by furnishing the material and tendering a reasonable cost for the service can force a company's management to mail his solicitation of proxies.

Despite the fact that some lawyers have questioned the constitutionality of the new proxy regulations, it is generally held that they are reasonable and therefore that they should be accepted without objection. In the past there have been many bitter corporate fights, the merits of which the little stockholder often did not know. Now, under the new rules, majorities and minorities are treated exactly alike, their identities revealed, their objectives made public. This is completely in line with the fundamental principle of the security laws and the additional publicity now required for proxy solicitation will do stockholders no harm and may at times do them considerable good.



Acme Photo

JAMES M. LANDIS

Regulation of the over-the-counter market. While SEC has made a start on its mission to regulate the over-the-counter market, the task is so huge and complex that the matter necessarily proceeds slowly. So far as the dealers in this market are concerned, the Commission is busily trying to register them with a view to knowing exactly who it is that they have to regulate. There are generally supposed to be some 5,000 over-the-counter dealers, of which more than 3,000 have already registered. It seems to be SEC's present intention to regulate these dealers largely by permitting them to regulate themselves through the medium of the Investment Bankers Association to which most of them belong. A division of SEC, of course, will see that the self-regulation is being carried out satisfactorily, but as long as this is being done there will be little inclination to interfere.

So far as the companies whose stocks are dealt in over-the-counter are concerned, the Securities & Exchange Commission has taken an extremely practical stand. When it found that there were more than 16,000 companies with a capitalization of more than \$1,000,000, it came to the conclusion that the supervision of such a vast array of securities was an impossible task. The Commission therefore has decided to concern itself with securities of companies whose capitalization is at least \$3,000,000. It will be some time, probably several years, before SEC has the over-the-counter security business under complete control. There is, however, much to be said for its method of making progress slowly.

Registration of Foreign Government Bonds. The fiscal information required by SEC in order that foreign government bonds may continue listed on our exchanges is not particularly onerous. Nevertheless, there is nothing we can do to force a foreign government to give us information of any kind and it seems that there is some disposition on the part of individual countries to refuse, in which case the issue would be delisted. As these securities are owned by American investors and it is our own citizens who would suffer in the event that delisting resulted in a price decline, the situation presents something of a problem. There are about \$4,500,000,000 in foreign government bonds listed on our exchanges at the present time; thus it can be seen readily that the loss to American investors might well be substantial.
(Please turn to page 54)

Pillar of the second-hand car market

Speaking of the motor industry, it owes a great debt to the New Deal for providing the colored population in the larger centers with both the funds and the leisure to take up a lot of the slack in the second hand market. These stalwart voters are driving more cars than ever before, and larger and better cars. Liza occasionally does a day's washing, grudgingly, to keep the car supplied with gas for extra long trips, and on that day Rastus drives down to relief headquarters and complains that the checks for rent and food have been slow arriving, and that they ought to be ashamed of themselves for having given him such an ill fitting pair of shoes!

* * *

Expenditures of \$25,000,000 this year have raised Chevrolet capacity to 6,000 units daily. It is to be hoped that the market is as large.

* * *

Reports that American oil companies will benefit in the case of sanctions against Italy. This may be so, but will they get paid.

* * *

Automobile stocks and the November show

It will be interesting to see what effect, if any, the November auto show has on a stock market pattern of long standing. In the past there has often been a display of speculative enthusiasm in January along with the introduction of new models; but usually the real advance in an "automobile year" has awaited the first days of open weather for proof of the attitude of buyers. The spectacular rise that started in March, 1928, is an illustration in point. There was, in other words, a lapse of nearly three months between the display of the new models and the aggressive discounting of earnings in the market. The question, consequently, is whether, assuming 1936 is to be a good auto year, the market will follow the old tradition,



Brown Bros. Photo

with a wait of five months, or develop a new formula.

* * *

Past predictions of remarkable future for alloy steels are being substantiated; a lot of buying in certain steel stocks, Union Carbide, International Nickel has taken place with this at the back of the buyer's mind.

* * *

What nine months reports show

By and large the corporate reports now coming to hand covering the first nine months of this year, show in unmistakably concrete form that the talk of better business has been no figment of the imagination. Among the more important corporations, American Telephone & Telegraph reported (on a consolidated basis) earnings of \$4.28 a common share for the first nine months this year, compared with \$3.85 in the corresponding period of 1934; General Electric 60 cents a share against 41 cents; Westinghouse Electric \$3.31 on the combined preferred and common against a large net loss last year; Caterpillar Tractor, reflecting the increased demand for farm and road building equipment, \$2.29 a share against \$1.56; Doehler Die Casting, which expects to do even better this year because of the swing to die cast radiator grills on the new automobiles, \$1.95 against \$1.84. On the other hand, the improvement over last year has not been completely universal. Atlantic Refining earned

only 71 cents a share in the first nine months of this year compared with \$2.02 in the first nine months of 1934; Schenley, despite the fact that in the September quarter earnings of \$1.64 a share were considerably better than the \$1.01 reported for the same quarter last year, earned only \$4.53 in the first nine months of 1935, against \$5.08 last year. Public Service of New Jersey, as might have been expected from lower rates and increases in taxes and other expenses, earned \$2.63 a share in the twelve months to September 30, compared with \$2.77 in the previous year.

From the remarks of Lessing J. Rosenwald, chairman of the board of Sears, Roebuck, before the Congressional subcommittee investigating merchandising, it would seem that many retailers are going to have a hard time translating the increase in their sales into profits. Mr. Rosenwald said that although the sales of Sears, Roebuck had increased 8.5% taxes had jumped more than 100%. See below.

* * *

Safeway's record breaking sales continue, those for the four weeks to October 5 being 26.3% ahead of the corresponding previous period—but the President says the increase will not mean any additional profit. Answer: higher costs and expenses.

* * *

Action of Allis-Chalmers reflects the accelerated swing from red to black

THE MAGAZINE OF WALL STREET



Ford Motor Photo

t and Income

figures. Earned well over \$500,000 in July and August.

* * *

R. C. A. divests itself of R-K-O headache

Radio Corp. of America originally bought into Radio-Keith-Orpheum for the purpose of assuring itself a large market for sound reproduction devices. The investment, however, proved a headache almost from the beginning, with R-K-O entering the courts in February, 1933. For a time it seemed extremely doubtful whether Radio Corp. would ever regain any substantial part of the \$15,000,000 it sank into its troublesome subsidiary. It has just been announced, however, that Atlas Corp., with Lehman Brothers, Manhattan Bankers, having something to do with the transaction, have purchased an unspecified portion at an unspecified price of Radio's R-K-O holdings. These, at the end of last year consisted of 1,259,464 shares of common stock, or 49% of the total, and \$9,786,655 of the ten-year 6% debentures due in 1941, or 84% of the total outstanding. The combined market value currently is between \$15,000,000 and \$16,000,000.

The transaction seems to be of greater immediate importance to the holders of Radio's preferred "B" stock than to anyone else. Dividends have accumulated on this issue to the extent of \$20 a share, or a total of \$15,345,000 on the 767,275 shares of "B"

stock outstanding. Will the arrears be liquidated shortly? No outsider knows definitely, of course, but in view of the fact that Radio Corp. already has plenty of money, it will not be surprising if a substantial part of the cash received on the R-K-O sale is turned over to the holders of the "B" preferred.

* * *

Although tin consumers in this country blame the subtle manipulations of the international tin pool for the high price of the metal, tin is really comparatively scarce and experts talk of world supplies being exhausted in the not too distant future. With this in mind, what will happen to the price in the event of serious European hostilities?

* * *

For some a bull market—for others not

It is surprising how the recent surging rise of some stocks has obscured the fact that for many issues the present is not a bull market, but a bear market. Chrysler, Westinghouse, the motor equipments, the farm equipments can all soar, their rise being heralded with the greatest enthusiasm accompanied by rumors of pools and manipulation, but look at the ones that are still selling at, or close, to their lows for the year. In the latter group are several of the gold stocks which were such speculative favorites a year or

so ago; a number of proprietary drug stocks—Lambert, Lehn & Fink and others; the rubber companies—Firestone and Goodyear; and finally a number of food stocks and chain groceries. It all goes to show how some people manage to lose money in what is generally thought to be a rampant bull market.

* * *

The doubling of the Swift & Co. dividend from 12½ cents a share quarterly to 25 cents and the special distribution of 25 cents injected a little new life into packing shares.

* * *

New Buick prices lower; Cadillac and La Salle prices lower; Ford prices some up, some down, but not much change. Doesn't look as if the majority of John Publics were going to get their new cars for much less than their neighbors have been paying this year.

* * *

Watch Italian securities

Bankers estimate that some \$200,000,000 of Italian government, industrial, public utility and municipal bonds, interest on which is paid in American dollars, are owned in this country. Given another six months of war in Ethiopia, with an already hazardous financial position further weakened by sanctions, to say nothing of a possible outbreak of hostilities in Europe, and Italy might find it extremely difficult to obtain the dollars necessary to meet the service of these debts. Should the war last a year, or longer, the same interests regard an Italian financial debacle as inevitable, with repercussions as unpleasant as those that followed the German and Austrian collapses.

* * *

Wallace of the A A A has been quick to step on baking companies who were talking about a rise in the price of bread to compensate for the increased costs that government have put upon them. Is it possible that Washington is at last paying some attention to the consumer?

The Textile Cycle Rises

What Does It Mean: For Cottons?
For Woolens? For Silk? For Rayon?

By ROBERT H. TITUS

IT is virtually impossible to consider the textile industry as an entity for the manufacture of textiles embraces four separate industries, each of major importance in its own right. Each—the manufacture of cotton, woolen, silk and rayon fabrics and textiles—has its own problems of costs, consumption, profits and competition. It is necessary, therefore, that each be considered separately and their prospects adjudged accordingly.

The manufacture of textiles is one of the oldest industries in the country and the necessitous nature of its products gives it one of the most valid claims to basic importance. Yet the industry must be classified as being decidedly of the "prince and pauper" type, with a background made up mainly of a long succession of deficits or insignificant profits, reflecting fundamental adversities which are deep-rooted and not easily adjusted. Exception to these generalizations may be made for the rayon division, the youngest and most virile member of the group.

Recently there has been a decided increase in cotton mill activity; woolen mills are operating near capacity proportions; silk production is responding to seasonal influences; and both the production and consumption of rayon this year promise to set a new high record. With all divisions of the textile industry showing uniform gains, it is timely to examine causes and effects. Have these important industries swung into the march toward recovery and will they be able to maintain the pace set by the more dynamic industries? The answers to these vital



Courtesy, Industrial Rayon Corp.

Twisting Department in Rayon Plant

questions are important not only from an investment standpoint, but from the standpoint of general economic progress as well.

Over-Capacity in Cotton Textiles

To get at the roots of the fundamental handicaps which have reduced both the cotton and woolen textile industries to an unprofitable state, it is necessary to go back to the war years. The demand through the war years for cotton and woolen goods, both in this country and abroad, seriously taxed the producing capacity of the domestic industry, ultimately resulting in a considerable enlargement of production machinery. Aided by the sustained post-war demand from abroad, this condition did not have any serious effects until several years after the cessation of hostilities, but with the rehabilitation of the European industrial plant, sales of American cotton and woolen goods abroad suffered a drastic decline. In late years this condition has been further accentuated by the development of economic national-

ism, foreign exchange difficulties, currency devaluation and the low labor and manufacturing costs abroad. The economic ascendancy of Japan has also cut into the already restricted markets abroad. The net result has been that in the past fifteen years there has been a drop of 75% in the volume of cotton textile exports and exports of woolen fabrics have all but disappeared. Relying heavily upon the domestic market, and with facilities capable of producing an output far greater than normal demand, the textile industries have been characterized by alternating years of decreasing and increasing activity.

This latter condition, familiarly known as the two-year textile cycle, has been present without deviation in each year since 1926. The explanation is simple. Rising prices have invariably brought a rush of forward buying; inventories in the hands of distributors reach excessive proportions; a buyers' market ensues; and manufacturing activity undergoes a drastic decline until the market has absorbed accumulated inventories. The whole process requires two years—one of feverish activity and one of practical stagnation. It will be recalled, in the present circumstances, that the textile industry was one of the first to turn up in 1933, and in fact experienced a veritable boom. During the best part of 1934, the industry was concerned with the absorption of the excessive output of the previous year and the upturn currently in evidence reflects the depletion of inventories.

Aggregate textile activity in the

THE MAGAZINE OF WALL STREET

third quarter of this year showed a gain of about 45% over the same months of last year and while doubtless October will witness a seasonal peak, followed by a tapering-off of activity in the last two months of the year, activity for the year will probably show a gain of from 20% to 25% over 1934.

Although it is possible that the aggregate production of cotton goods this year may show no significant gain over last year, owing to the sharp increase in output following the textile strike in 1934, there is likely to be an improvement in the statistical position of this important division. Reports indicate that there has been a commendable lack of speculative buying this year, with the result that, while mill output has been stepped up, it has not exceeded new orders placed. Price advances have been moderate. For the present, at least, conditions favor sustained activity for a period of months and unless production again gets out of hand prices should continue firm.

Considerably ahead of earlier expectations, consumption of domestic wool has been maintained this year at the highest levels since the war. Prices have been advanced and many mills have booked orders which will insure capacity operations at least until the end of the year. It has been estimated that production of woollens and worsteds in the final quarter will run some 40% higher than in the earlier months of the year. After the first of the year, however, activity will probably recede as the stocking of necessitous inventory requirements is completed.

In the main, however, it is to be doubted that the current improvement in either the cotton or woolen textile groups will enable representative companies to show more than scanty profits or overcome to some extent the deficits suffered in the earlier months. Cannon Mills, by virtue of skillful merchandising methods, will doubtless continue to be an outstanding exception to

Textile Companies Most Favorably Situated at This Time

	Earned Per Share 1934	1935*	Recent Price	Divi- dend	Yield %
Adams-Millis.....	3.41	1.46	35	2.00	5.7
Belding Heminway..	1.07	0.60	14	1.00	7.0
Cannon Mills.....	2.60	NF	38	2.00	...
Celanese Corp.....	1.25	NF	29	None	...
Collins & Aikman...	d0.30(b)	1.43(c)	35	None	...
Industrial Rayon....	2.23	0.69(a)	34	1.68	4.9

*1st 6 mos. (a) 9 mos. to Sept. 30. (b) Year ended Mar. 2, '35. (c) 3 mos. ended June 1, '35. (d) Deficit. NF Not available.

the general experience of the cotton textile division. Adams Millis, specializing in cheap cotton and rayon hosiery, likewise should give a good account of itself. On the other hand such leading companies as Pacific Mills, Pepperell Manufacturing and Cluett, Peabody & Co. while showing moderate improvements are handicapped by fundamental problems within the industry. American Woolen may make the best showing since 1929 in gross business and a profit should supplant the large deficit of last year.

The obstacles in the path of corporate profits in the cotton textile group were succinctly emphasized by Russell H. Leonard, president of the Pepperell Manufacturing Co., in that company's annual report recently issued. The company's net sales in the 1935 fiscal year were the largest for any year in the company's eighty-three years' existence—yet the company operated at a loss of \$438,000. The major difficulty of the cotton textile industry and its primary losses were attributed to overproduction, despite the sustained consumption of cotton

textiles at a rate not far below normal. Costs, already burdensome in the industry, were increased by the processing tax of 4.2 cents a pound, which market conditions prevented from being passed along in full to the consumer. In Mr. Leonard's opinion the soundest solution to the industry's dilemma would be a reduction of from six to seven million spindles out of a total now in

operation of about thirty-one million.

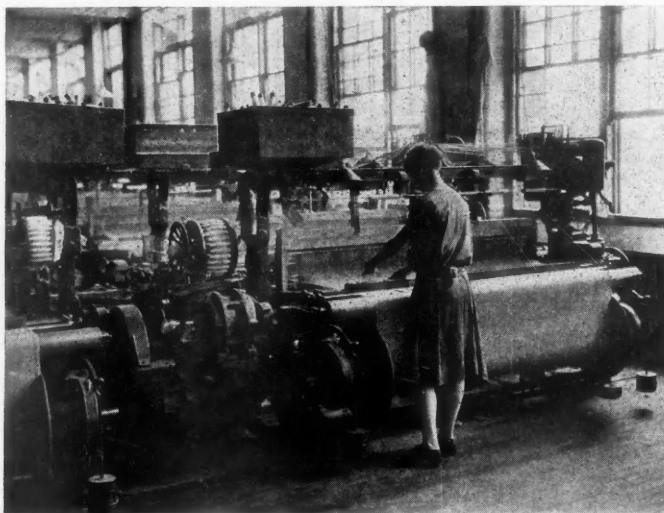
No little uncertainty and confusion prevails in the industry as to the ultimate distribution of processing tax money, in the event that A A A is declared unconstitutional, and this is undoubtedly exercising a restraining effect upon the placing of new orders.

Actually, the real problems of the industry antedate the tax situation by some time and these can be overcome only by the elimination of obsolete equipment and the reduction of manufacturing costs to a point which would not only put selling prices on a parity with consumers' income and purchasing power, but permit a profit to the producer as well.

The industry is definitely unable to carry the burden of increased costs resulting from the processing tax, the cotton program and a 70% increase in the average hourly wage and until these conditions have been substantially corrected profitable operations will continue to be the exception rather than the rule.

Such factors as changing styles, a trend toward lighter weight fabrics and the necessity for manufacturers to import a large portion of their requirements over a high protective tariff, making for the maintenance of high raw material costs, have resulted in a steady decline in the consumption of wool. Domestic consumption has dropped 40% in the past twelve years. Not only has the industry suffered a severe loss to competing fabrics, but this in turn has

(Please turn to page 53)



Galleyway Photo

Looms in New England Woolen Mill

Depression Did Not Stop This Company

Expanded Operations, Larger Sales,
New Process and Rising Earnings

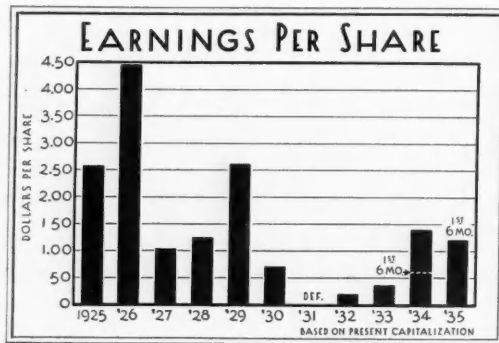
By GEORGE L. MERTON

IDENTIFIED with an industry in which huge corporations with wide-flung interests are the rule rather than the exception, Phillips Petroleum Co., a unit which appears relatively small only by comparison with the several Standard Oil companies, Texas Corp., Shell-Union and others, has nevertheless distinguished itself in more ways than one. The company's achievements have been such, in fact, that they would be a distinct credit to any industrial enterprise, whatever its size. Not the least of these is the virtual certainty that the company's business volume this year will set a new high record, accompanied by earnings which will not be far from the best in the company's history. Better earnings are always good news but record earnings, at this stage at least, are worthy of industrial headlines. But back of them lie the less spectacular but none the less important progress of the company in other phases of its business.

Ninety Times Original Size

Phillips Petroleum started as a pioneer in the Oklahoma oil fields and was incorporated in 1917, with gross capital assets of about \$3,000,000. Today the company's capital assets are carried on its books at more than \$276,000,000. The difference between these figures is the measure of the company's growth from a small local concern to a large and self-sufficient oil company.

In its early years Phillips engaged solely in the production of crude oil, natural gas and natural gasoline. It was



in this capacity, as a wholesaler, that the company steadily grew in both scope and prestige, maintaining the pace set by the unceasing increase in the demand for petroleum products. About eight years ago, however, it became apparent with the increasing pressure of competition, that it would be to the company's best interests to refine, transport and market a large part of its raw products as finished ones to the ultimate consumer. Then began an extensive program of expansion and erection of new plants and facilities, having for its objective a complete co-ordination of all of the major activities of the petroleum industry within the company's own ranks.

A Growing Independent

Pursuing this program with commendable vigor, the company, in less than a decade has firmly established itself as one of the foremost "independents" in the Central West. As an important feature of this program, the company capitalized its prestige and concentrated its expansion in the terri-

tory contiguous to its producing facilities, thereby insuring obvious advantages for itself and avoiding the expense and uncertainty of attempting to invade new sections of the country where its status would be that of a raw newcomer.

A highlight in the company's history was the acquisition in 1930 of the Independent Oil & Gas Co., which added \$36,000,000 to its property investment. Three crude oil refineries, strategically located, were acquired or built

and were connected to the company's various producing fields by hundreds of miles of crude oil gathering lines. To insure the full benefits of low cost transportation, the Phillips Pipe Line Co., was organized in 1930 and constructed a pipe line system 681 miles in length. This company was taken over by Phillips in 1932 and at the end of last year 736 miles of gasoline pipe lines were in operation.

Completing the integration, marketing outlets were built up from four service stations in 1927 to 1,800 in 1928, 6,750 in 1929 and 9,360 at the end of 1934. Of the latter, 2,261 were bulk stations and 6,512 were dealer outlets, either owned or controlled and 587 were other dealer outlets. Reflecting this great increase in marketing facilities, sales increased through the company's own stations from 60,000,000 gallons in 1929 to more than 330,000,000 gallons in 1934. Phillips' service area embraces 22 states in the Central West and total sales of all finished products last year amounting to 767,095,000 gallons, as compared with 672,499,000 gallons in 1933, were

the largest in the company's history.

Other facilities, vital to the low cost manufacture of petroleum products include storage capacity sufficient to provide for 5,287,000 barrels of gasoline and 13,843,500 barrels of crude oil. There are eight water plants supplying the company's own requirements as well as additional companies and towns. There is a large fleet of trucks and some 2,500 tank cars. All in all the company presents a picture of a soundly conceived industrial unit with all major activities from the oil well to the consumer co-ordinated in a manner designed to restrict costs to an exceedingly low level.

Natural Gasoline

Phillips Petroleum pioneered in the development of gasoline from gas vapors produced in connection with oil wells. This product is known as natural gasoline. The company is credited with perfecting much of the apparatus now used in the manufacture of natural gasoline and is itself reputed to be the world's largest source of natural gasoline. Last year, in the company's 38 natural gasoline plants there were produced 263,875,968 gallons of natural gasoline, used in blending with the company's own various brands of gasoline and sold wholesale to other refiners.

In addition to the company's diversified interests concerned directly with oil and gasoline, and contributing an important share of profits, are the valuable natural gas properties owned in Texas, Oklahoma and Kansas. Some idea of the importance of the company's relative standing in the natural gas industry is gathered from the fact that it supplies from 35% to 40% of all the natural gas used in the manufacture of carbon black. In 1934, the natural gas division processed and sold more gas than in any other year of the company's existence. Recent years have witnessed extensive improvements and enlargements in natural gas transportation systems, from the Mid-Continent gas fields to large consuming centers, resulting in a steady increase in the quantity of gas marketed from these fields. Already an important source of revenue, natural gas sales promise to further enlarge the company's earning power.

Being closely linked to the carbon black industry and owning 10% of the carbon black produced for which it supplies natural gas, it was a logical step

for Phillips to identify itself with the actual manufacture of this product. A 50% interest is owned in the largest carbon black plant in the world and last year the company's total sales of carbon black reached the impressive total of nearly 20,500,000 pounds. Principal users of carbon black include tire manufacturers and producers of printing ink, black paint and lacquers. Demand for carbon black has gained visibly during the past two years, enabling manufacturers to correct overproduction and improve the price structure.

Another product which the company has successfully developed is Philgas, a natural gas which is compressed and purified in special plants and shipped in tank cars as a liquid. The liquid becomes gas again once the pressure is released. This product is sold to individual consumers to which regular gas fuel is not available for cooking and heating; it is extensively used in various industrial processes; and it is also utilized for various purposes by manufacturers of fuel gas. Although a comparatively recent addition to the company's fold, this division is a profitable and growing one. Sales of Philgas last year totalled 22,664,100 gallons compared with 17,309,000 gallons in 1933 and 13,333,000 gallons in 1932.

For more than a year Phillips has been making a substantial quantity of motor fuel by polymerization, a new process which transforms into motor

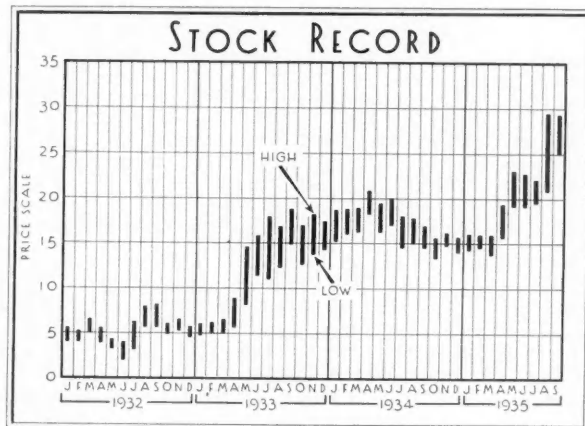
merical value is indicated by the recent announcement of the formation of the Polymerization Process Corp. by Phillips, and in which Texas Corp., Standard Oil Co. (Indiana) and Standard Oil Co. (New Jersey) will have an interest through an exchange of patents. As a prospective source of additional revenues, this latest development may well prove to be one of major importance.

To insure the company an adequate supply of raw materials for its varied activities, abundant crude oil reserves are possessed in practically every important oil field. Over one million acres of developed and undeveloped lands and leases are owned by Phillips, of which less than 5% is fully developed. The company has co-operated fully in all proration and conservation measures with the result that recent production has been held to an amount considerably less than normal. Last year the company ran 12,646,000 barrels of crude oil to its three refineries and production in the first six months of the current year averaged 81,256 barrels per day gross and 52,157 barrels net, approximately the same as for the comparable period of 1934.

Complete Integration

In summary, therefore, it will be seen that Phillips Petroleum possesses the fundamental elements of a soundly conceived industrial enterprise. Not only does the company have large reserves of raw materials which can be cheaply produced, but it has developed the efficiency of its transportation, manufacturing and distribution facilities to a point which produces important economies. While fortifying its position in the oil industry, the company has not neglected the advantages of important complementary fields and in each has attained a sizable stature. This policy is one which may be expected to return increasingly large rewards in the future, but of equal importance, it may be relied upon to impart a greater degree of stability to the company's operations from year to year than may be expected of the oil industry, as a whole. Financially, it has borne fruit in gratifying results.

Since the acquisition of the Independent Oil & Gas Co., in 1930, Phillips has made capital expenditures in



fuel of the highest quality, products formerly wasted under other processes as being too light for motor fuel purposes. The process for which the company controls the basic patents permits the production of a gasoline having an exceptionally high anti-knock rating at a cost considerably below that of gasoline made from crude oil. That this new process has passed the development stage and has demonstrated its com-

Companies Whose Business Should Be Increased by War, War Preparation or by the Race for Armament

Selected by THE MAGAZINE OF WALL STREET STAFF

Sperry Corp.

It is not difficult to envisage a marked increase in the business of Sperry Corp. if the present tendency, both in this country and abroad, to enlarge national defenses is continued. The Sperry Gyroscope Co., a subsidiary of the company is a leading manufacturer of a wide range of precision instruments and devices used by navies, artillery, merchant marines and in mili-

Earnings Per Share		Recent Price	Div.	Yield
1st 6 mos. 1934	1st 6 mos. 1935			
\$0.45	\$0.41	\$12	\$0.50	4.2%

tary and commercial aviation. These include the gyro-compass, gyro-stabilizer, gun fire control equipment, various types of military searchlights, bomb-sights and aircraft instruments. Another subsidiary, the Ford Instrument Co., is a prominent manufacturer of rangekeepers, computing mechanism, directorscopes and other intricate instruments for both main battery, broadside and anti-aircraft fire control. Sperry Corp., in addition, has a large investment in the shares of Curtis-Wright Corp., a leading manufacturer of aircraft.

Practically all of the Ford Instrument's business is with the United States Government, as is likewise a substantial portion of Sperry Gyroscope's. Aviation business, however, accounts for less than one-tenth of the total volume. Other customers include various foreign governments and operators of merchant steamship lines.

Considering the highly specialized nature of the company's business and its somewhat confined field, the earnings record has been an unusual one. Throughout the depression deficits were avoided, albeit earnings on a per-share basis were not large. Last year

the company reported net income of \$1,878,104, or the equivalent of 96 cents a share on 1,949,111 shares of capital stock. In the current year, operating income for the first six months registered a gain of more than \$300,000, but net income of \$809,751, or 41 cents a share, was slightly less than for the same months a year ago. In the latter period, however, earnings were bolstered by a profit of some \$277,000 realized on the sale of part of its Curtis-Wright holdings.

The capital structure of Sperry Corp. is an extremely simple one, the entire equity in the business being vested with the stockholders. Working capital position is comfortable. Current assets of \$6,274,307 on June 30, last, compared with current liabilities of \$1,745,484. Cash was nearly sufficient to discharge all current liabilities. Last December the company paid its first dividend—25 cents a share—and a similar payment was made last July. Confronted with the evidence of the company's adequate financial resources, it is not illogical to assume the shares to be on a 50-cent annual dividend basis. The company has ably demonstrated its earning power under the most adverse conditions and may at this time conceivably be on the verge of the most profitable period in its history. Considered frankly as a speculative vehicle, the shares hold out the prospect of important enhancement in value over a reasonable time.

International Nickel Co. of Canada, Ltd.

Following the end of the World War, there was a drastic slump in the consumption of nickel, which had been widely used in the construction of armaments. Since then the management of International Nickel Co.,

credited with controlling a large majority of the world production of nickel, has concentrated in broadening the use of nickel by peace-time industries. A measure of the company's success in that direction is indicated by the fact that of the company's present output of more than 90 million pounds annually, only 4% finds its way into armaments. So proud is the management of this accomplishment that it resents any implication that the

Earnings Per Share		Recent Price	Div.	Yield
1st 6 mos. 1934	1st 6 mos. 1935			
\$0.62	\$0.64	\$31	\$0.80	2.6%

company may again become a "war baby." The fact remains, however, that war preparations on a large scale would greatly enlarge the demand for nickel. Moreover, it may be noted that inasmuch as its properties are situated in Canada, the company is not affected by the United States' ban on munitions shipments abroad.

In addition to controlling some 90% of the world output of nickel, International Nickel is also a large producer of copper, silver, gold and aluminum, with copper production alone amounting to about 195 million pounds in 1934. Consequently, the company promises to be an important beneficiary of the improved statistical position of copper and the recent advance in copper prices. These conditions should be reflected particularly in the company's earnings for the second half of this year.

Already, however, the company's earnings have scored a brilliant recovery. A profit of \$5,420,615 reported in the second quarter of this year was larger than for any quarter since the third in 1929. After allowance for depreciation, depletion, taxes etc., this amount was equal to 34 cents a share

on the common stock, after payment of dividends on the 7% preferred shares. Total earnings for the first half of this year were equivalent to 64 cents for the common, comparing with 62 cents in the same months of 1934. Stockholders were given tangible evidence of the improvement in the company's earnings by an increase in the quarterly dividend rate to 20 cents. Previously the shares had paid dividends of 60 cents annually. Even so, the larger rate must be considered as conservative in relation to probable earnings for the full current year of around \$1.40 a share.

Financial position of the company is excellent. As of June 30, last, current assets, including cash and securities of around \$26,500,000, amounted to \$53,656,956, while current liabilities were only \$6,356,769, or a current asset ratio of almost 9 to 1. Market-wise, the shares of International Nickel are accorded the same generous appraisal as those of other leading and successful industrial companies, and while they are not subject to spectacular market movements, they possess many attributes which should appeal to the conservative common stock investor—even if war potentialities are disregarded.

Bethlehem Steel Corp.

Last April, at the annual stockholders' meeting of the Bethlehem Steel Corp., Eugene G. Grace, president, declared that the company had no war orders, nor did it want any. In September it was announced that the company had received contracts aggregating \$28,000,000 for the construction of a naval aircraft carrier and two destroyers for the U. S. Navy. Whether, these may be considered as war orders, strictly

Earnings Per Share		Recent Price	Div.	Yield
1st 6 mos. 1934	1st 6 mos. 1935			
\$2.72*	\$1.28*	\$38	None	—
* 7% Preferred Stock.				

speaking, does not alter the fact that a subsidiary, the Bethlehem Shipbuilding Corp., Ltd., a leading builder of naval and commercial vessels, may well be an important beneficiary of the Government's expressed intention to enlarge the navy.

In the meantime, however, as the second largest steel company, Bethlehem has every opportunity to share liberally in further general business recovery of sufficient scope to include the

capital goods industries, long blighted by sub-normal demand. Manufacturing activities of Bethlehem are concentrated largely in the heavier forms such as structural steel and rails, and for this reason earnings recovery to date has not been as pronounced as in the case of those companies producing a larger proportion of the lighter forms of steel.

Last year Bethlehem reported a profit of \$550,571, contrasting favorably with the loss of \$8,735,723 in 1933 and in the first six months of this year net income of \$1,193,611 was equal to \$1.28 a share on the outstanding 7% preferred stock. While the trend of earnings is encouraging, profits have not reached sufficient proportions to enable the company to make any progress in discharging the accumulated dividends on the 933,887 shares of preferred stock. These accumulated dividends now total \$19.25 a share. Only \$1.75 a share was paid on the preferred last year and a similar payment was recently made.

In addition to the preferred shares, there is approximately \$125,000,000 in funded debt ahead of the common. Financial position of the company is satisfactory and all 1936 maturities have been provided for by the recent sale of \$55,000,000 4¼% bonds due 1960.

The advance of about 20 points from the 1935 low in the quoted value of the company's stock reflects the excellent prospect that the company's earnings for the first nine months of this year will be the best since 1931. At recent levels around 38, the shares would appear to have liberally discounted immediate prospects and longer term possibilities supply the chief basis for their acquisition at this time. However, given further recovery in the demand for capital goods, plus possible speculative impetus from war developments, further important price appreciation in the future is not difficult to visualize.

Fairbanks, Morse Co.

Offhand, the inclusion of Fairbanks, Morse Co. in this group may appear incongruous, for the company is doubtless best known as a manufacturer of weighing scales. In recent years, however, the expansion in the scope of its activities to embrace other and more dynamic fields has so changed the industrial complexion of the company that its original business is now a subordinate factor.

Probably the most noteworthy change in the company's status is the

dominant position which it now occupies in the manufacture of Diesel engines. It is estimated that more than half of its gross revenues are now derived from this source. The greatest impetus to the adoption of the Diesel engine has been given in recent years by its development from a large and cumbersome unit to a high-speed, lightweight and mobile power plant. Long identified with the manufacture of heavy stationary Diesels, Fairbanks, Morse has kept pace with changing de-

Earnings Per Share		Recent Price	Div.	Yield
1st 6 mos. 1934	1st 6 mos. 1935			
Nil.	\$0.40	\$24	None	—

signs and its present line ranges from units capable of developing from 250 to 4,000 horsepower, to a small four-cycle affair developing from 10 to 60 horsepower. Among the principal types manufactured by the company are marine Diesels.

The increasing importance of Diesel power for both naval and commercial vessels is indicated by the fact that 60% of the new tonnage constructed during the past ten years was equipped with Diesel engines. A strong argument in favor of the Diesel is the great savings in weight and space which it makes possible. A 10,000-ton cruiser constructed in Germany was able to install 2,000 more tons of armament by the use of Diesel power, than had steam power been used. Last year the U. S. purchased some 50,000 horsepower of Diesel equipment for marine use. From this it may be inferred that an enlarged naval program in this country might well redound in favor of Fairbanks, Morse, as a firmly entrenched manufacturer of marine Diesels.

In addition to Diesel engines and scales, the company manufactures electrical equipment, pumps, railroad mechanisms, water supply equipment, power engines for farms and stokers for a wide variety of purposes. Recently the company has tapped the important consumers' goods field by its entry into the manufacture of washing machines, electrical refrigerators and radios.

The company's earnings in the past two years have shown steady improvement. After a loss in 1933, profits last year were equal to 28 cents a share on 368,863 shares of common, and in the first half of this year per-share earnings on the common rose to the equivalent of 40 cents, compared with 32 cents per share on 68,642 shares of 7% preferred stock in the same

months of 1934. Last June the company paid \$3.50 a share against accumulated dividends on the preferred shares, reducing accumulations to \$22.75 a share, or about \$1,500,000. With further improvement in earnings, the company's strong treasury position would permit the prompt discharge of all accumulations, and a reduction in the \$5,634,500 of debentures is also a possibility. While dividends on the common are not imminent, it is possible to concede the shares well defined speculative possibilities, quite aside from potential government business.

Monsanto Chemical Co.

The Monsanto Chemical Co., is a dynamic unit in a dynamic industry. Undaunted by the adversities of depression, the company has, in the past four years, experienced the greatest expansion in its history, and plans for

Earnings Per Share		Recent Price	Div.	Yield
1st 6 mos. 1934	1st 6 mos. 1935			
\$1.59	\$1.90	\$90	\$1.25*	1.7%

* Incl. extras.

the current year called for the expenditure of \$4,000,000, the largest appropriation for plants, replacements, etc., ever made by the company. Profits and sales have shown excellent response to the greater scope of the company's field and last year they were the best ever shown.

Monsanto has long been the leading manufacturer of fine chemicals and medicinals but today the company, as a result of its expansion program, produces some 300 different chemicals including an important line of heavy chemicals. The company has been active in developing various chemical specialties such as synthetic flavors, various chemicals used in the manufacture of lacquer, and various compounds derived from a petroleum base—a field of chemistry which is comparatively new. As a further result of the company's expansion, it is not dependent on any particular product, or group of products, and it has been estimated that not more than 10% of income is derived from any one line. Literally, scores of important industries are represented among the company's customers.

It is noteworthy that Monsanto is the only domestic chemical company to have its own plant abroad for the manufacture of fine chemicals. Normally foreign sales contribute about 25% of

the company's business, a large portion of which is handled by the British subsidiary. These circumstances would doubtless have an important bearing on the company's status in the event of an European war.

Early this year, control of Swann Corp., was acquired; this company being an important electric-chemical producer of phosphoric acid and derivatives. Giving effect to the increase in the amount of outstanding shares, as a result of this transaction, common stock of Monsanto totals 974,133 shares. Ahead of the common, there is \$1,350,000 low interest-bearing funded debt and \$1,940,000 subsidiary preferred stock.

In the first six months of this year, earnings available for the common were equal to \$1.90 a share, comparing with \$1.59 a share on a smaller number of shares in the first half of last year. For the full 1934 year, \$3.03 a share was earned on the common and on the basis of results thus far, 1935 will be another record-breaking year. Finances are strong with current assets showing a ratio of about 5 to 1 of current liabilities, as of June 30, last. Despite the substantial gain in earnings, dividends have been kept within conservative limits. Regular payments are being made at the rate of \$1 annually, augmented by extras of 25 cents paid last December and in September of this year. Additional extras or an increase in the regular rate could readily be paid.

At 90, the shares are admittedly high on an earnings basis but are less liberally appraised than many other leading chemical issues, none of which, however, can boast a better earnings record. To the long-term investor, the shares offer an equity in a progressive company, demonstrating an unmatched ability to fully avail itself of the opportunities in an important and growing industry.

Douglas Aircraft Co.

Although Douglas Aircraft has recently emerged as an important manufacturer of transport planes, the manufacture of various types of aircraft for the Army and Navy has been the backbone of its business. Up to the end of last November, the company had produced 1,210 planes, of which nearly 88% had been purchased by the Government. In the past about 10% of the funds allotted by the Government for planes has been obtained by Douglas and with the quality and prestige of its products definitely established, the company has an excellent chance to

enlarge its share of increased Government purchases scheduled for the future.

Credit for the marked progress which has been made by the company may be claimed by its skillful research department, particularly in improving the efficiency and safety of aircraft. Last year the company sold 89 of the new DC2 transport planes and it is expected that by the end of the current fiscal year (November 30) at least 150 of these planes will be in operation. Last year the sales of commercial planes accounted for 75% of the \$5,300,000 record sales, while Government sales of \$1,300,000 were the lowest since 1926. In August, the company was awarded a \$1,250,000 contract for 15 sixteen-berth sleeper planes and in September the Government placed an order for 18 transport planes involving \$1,235,000. In competition with several rival aircraft manufacturers, Douglas has submitted a new bombing plane for Army tests.

Sales for the six months to May 31, last totalled \$5,500,000 and net profit of \$963,000 for that period was equal to \$2 a share on 467,403 shares of

Earnings Per Share		Recent Price	Div.	Yield
1st 6 mos. 1934*	1st 6 mos. 1935*			
Nil.	\$2.00	\$32	\$0.75	2.3%

* To May 31

stock which comprise the sole capitalization. In the corresponding period of 1934, the company showed a loss of more than \$230,000. With the rise in net there has been a moderate decline in unfilled orders. The latest report of the company disclosed current assets of nearly \$5,000,000, including cash of \$2,118,619, while current liabilities were only \$311,214.

Recently, after a lapse of two years, a dividend of 75 cents was declared. This was not a quarterly dividend, nor was there any intimation that it was in the nature of a regular rate. Further payments will doubtless be made but the amount will depend on not only the later trend of earnings but the extent to which the company may find it necessary to conserve cash for development expenses.

Although the aviation industry has attained a certain measure of maturity, its investment aspects remain largely of a speculative character. Douglas, however, would seem to have entrenched itself to an extent which not only insures its survival as one of the leading factors, but full participation for the company in the future growth of the industry.

Taking the Pulse of Business

- *Steel Rate Steady*
- *Copper Buying Slack*
- *Tin Stocks Low*
- *Oil Prospect Good*
- *Biscuit Net Rising*

BUSINESS developments during the past fortnight, though of a somewhat mixed character, have been generally favorable. With the four-day coal strike settled in most fields production has regained nearly all the ground lost and may soar to new heights for the year during the closing weeks of October in anticipation of higher prices next month in consequence of the Guffey Bill, which has already led to higher wages and promises to put a bridle upon cut-throat competition. Production of the new models is already well under way at automobile plants and the weekly output is again considerably higher than a year ago. Helped by heavier coal and automobile shipments the expected rise in car loadings has appeared according to schedule. Other components of our Business Activity Index have recently been improving at a somewhat less than seasonal rate; but these have not prevented the country's physical volume of production from rising sharply to around 76% of the 1923-5 average, which is about 18% better than last year's low level.

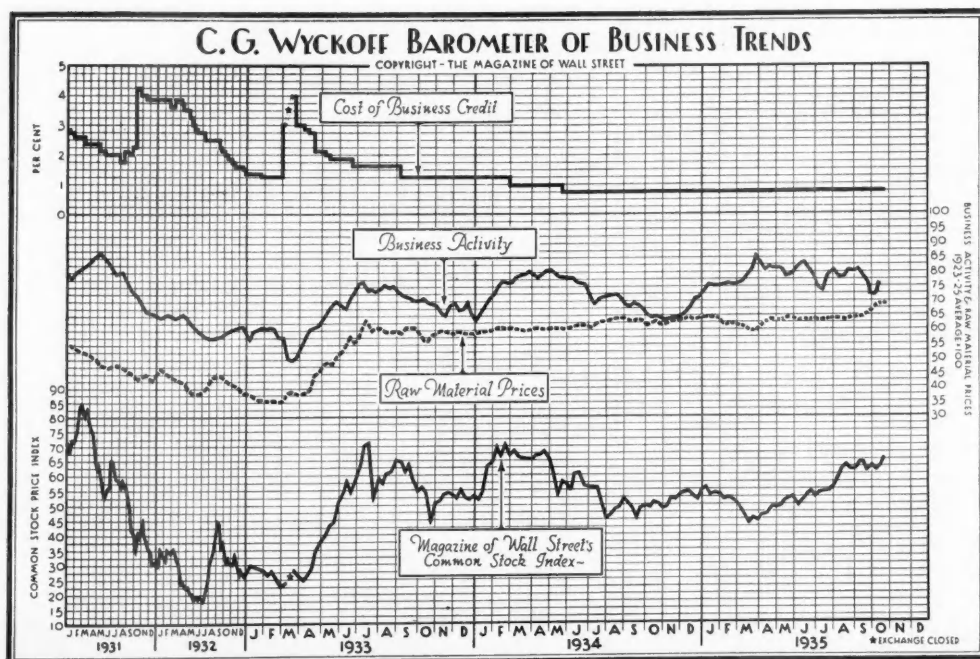
Continued expansion in the public's purchasing power is indicated by New York State's report for September which discloses that factory payrolls were 5% larger than in August, while employment was 3.7% ahead of August and 7% larger than in September, 1934. Against this, the cost of living in September was only 0.6% higher than for August, and advanced only 3.1% over September of last year. In this connection it is worthy of comment

that, while weekly earnings of the country's factory workers average only about 77% of the 1929 level (a drop which is about commensurate with the decline in living costs), hourly wages are a little higher than at

the boom-peak. The discrepancy is, of course, accounted for by the fewer and shorter working days per week.

That cooler weather and rising confidence have encouraged the public to spend its expanding income more liberally of recent weeks may be gathered from a sheaf of reports for September. Thus rural retail sales exceeded the dollar total for the previous September by 6%, chain store sales improved by 6.7%, department store trade gained 8%, while new life insurance written was up 4%, compared with an increase of only 3.3% for the first nine months of the present year. The Bell system in September gained 92,000 stations, compared with 60,800 a year ago, the largest September gain in ten years, with the exception of 1929, when stations increased by 96,000.

In the capital goods field, which has been responsible for most of the country's unemployment, improvement continues at a gratifying rate, save for the machine tool line where, after registering six monthly gains, the index of new orders showed a drop to 80 in September from the year's peak of 125.8 in August. The decrease, however, was attributable partly to delays in confirming large orders booked at the recent machine tool show and partly to a 46% drop in foreign orders resulting from the embargo upon shipments to Italy, a disturbing influence which the



trade thinks may continue for several months. Construction activities, which are the backbone of the capital goods industry, continue to make cheering progress, especially in the residential division, where contracts let during September in 37 states east of the Rockies gained more than 130% over the previous September, compared with a cumulative increase of around 80% for the first nine months. September awards for all classes of construction showed an increase of about 50% over last year, against an improvement of only 1% for nine months. Credit for a large part of the recent stimulus to private residence construction and renovation is due the F H A which, owing to lower interest and longer mortgage maturities, enables the home builder to clear his indebtedness with about half the monthly payments which were customary in pre-depression days.

The Trend of Major Industries

STEEL—Steel operations during the past fortnight have held fairly steady at somewhat better than 50% of capacity, which compares with the low rate of around 23% a year ago. William A. Irvin, president of the U. S. Steel Corp., estimates the country's output for the fourth quarter at about 8,500,000 tons, or 50% of capacity. This would bring the year's total up to about 48% of capacity, compared with last year's output of 37.38%. The war abroad appears to be responsible for some hesitation in the industry just now, largely because of its threat to prices of such products as manganiferous ore, iron ore from Sweden and North Africa, which our steel makers import; benzol and toluol, coke oven by-products which we export; and tin which fluctuates with foreign exchange rates. Scrap exports to Italy have fallen off after many months of heavy demand. Specifications are increasing from motor car makers, who will probably consume nearly a quarter of the year's steel output. Farm implement business this year is 55% over last. The trade is counting upon a demand for a billion and a half of the new beer cans next year, which will mean consumption of three million base boxes of tin plate.

METALS—Owing to rather liberal stocking up in anticipation of the price advance, local demand for copper has been rather slack since our last issue, with export prices down to around 8.9 cents following rumors that Italy might soon be willing to talk peace. Stocks of all non-ferrous metals decreased during September. World visible supplies of tin are the lowest in years. Prices are bound higher as are those of lead.

PETROLEUM—For the first time in five months California's output has shown a slight decrease during the past fortnight. Crude stocks are 8% below last year and gasoline inventories are practically at the level of a year ago, while

consumption is up 14%. Statistically the industry is in a comparatively healthy condition, and the trade estimates that profits of leading companies in the industry for the first nine months will about equal earnings for the entire year of 1934. At present writing the outlook is for good earnings during the fourth quarter, considerably above profits for the corresponding quarter of 1934.

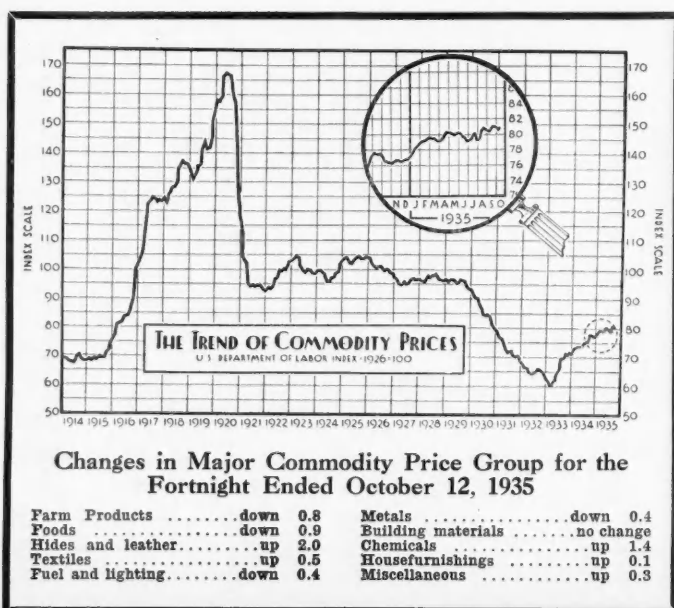
BREWING—The Master Brewers' Association reports that, in 2½ years since repeal the brewing industry, with estimated investment of \$800,000,000, ranking seventh among the nation's industries, has enjoyed a total revenue of \$600,000,000 and reached an annual production of 45,000,000 barrels, which is 70% of the pre-prohibition peak.

BISCUIT—Leading biscuit makers are reporting somewhat better earnings in the face of higher prices for flour, owing to the circumstances that the recent slash of 20% in the price of cheaper soda crackers has regained a considerable part of the business formerly lost to smaller competitors who market their products locally with comparatively small outlay for advertising.

SULPHUR—To correct misapprehensions in the minds of legislators who would increase taxes on production, L. Mims, vice-president of the Freeport Sulphur Co., states that Texas furnishes less than 20% of the world's commercial needs for sulphur and only about 50% of requirements in the U. S., while Texas reserves are only a small part of the world's total, U. S. exports of sulphur have declined steadily from a total of 855,000 long tons in 1929 to approximately 175,000 tons for the first half of 1935. Japan, for the first time in 20 years, is again selling refined sulphur on the Pacific Coast.

Conclusion

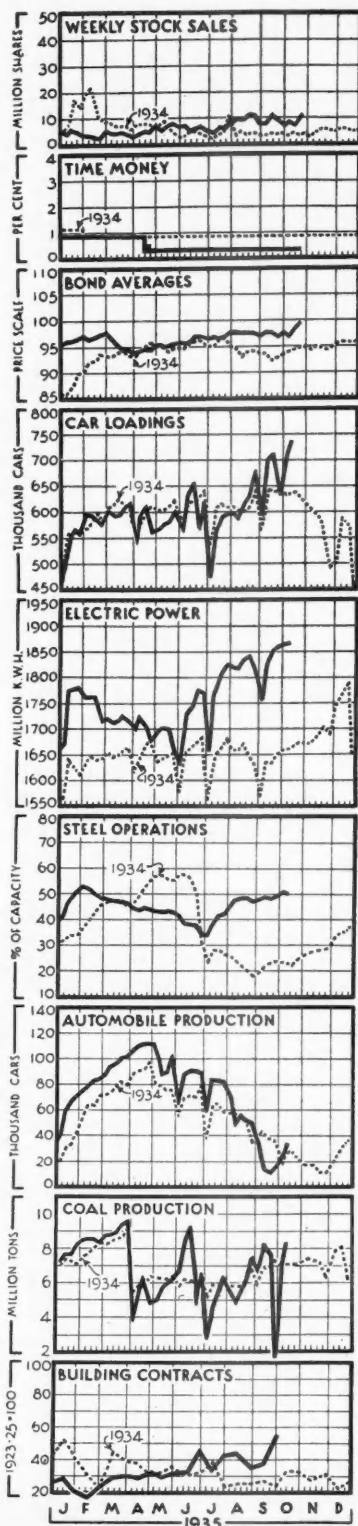
Continued expansion in the public's purchasing power is finding reflection in rising retail sales; while expanding bank deposits and accumulating obsolescence of plant, aided by activities of the F H A, is gradually bringing about revival of the capital goods industries which have been chiefly responsible for the country's grave unemployment problem. Now that the coal strike has been practically settled and automobile plants have begun production on new models the recent sharp rise in Business Activity seems likely to continue up to the pre-holiday seasonal peak. Such prospects, in conjunction with rising Raw Material Prices resulting from foreign war demands and a short world wheat crop, probably suffice to explain the recent firmness in our Common Stock and Bond Prices indexes, especially in view of continued ease in the Cost of Business Credit.



The Magazine of Wall Street's Indicators

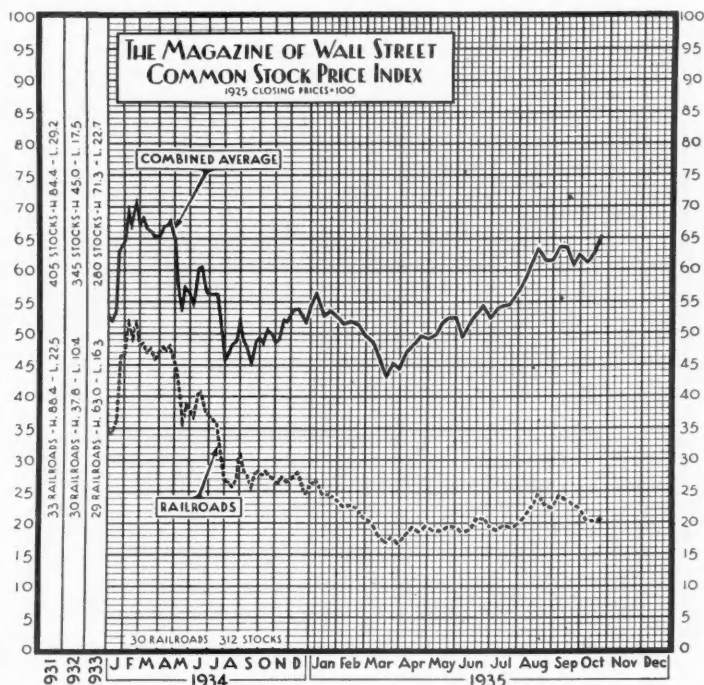
Business Indexes

Common Stock Price Index



1934 Indexes					1935 Indexes				
High	Low	Close	Number of Issues	(1925 Close=100)	High	Low	Oct. 5	Oct. 12	Oct. 19
71.2	45.0	54.6	288	COMBINED AVERAGE...	65.2	43.0	61.1	62.8	65.2h
105.7	44.2	87.0	5	Agricultural Implements...	102.7	64.1	89.9	91.6	102.7h
42.3	20.2	27.1	6	Amusements...	38.4	17.8	35.4	36.0	35.4h
58.9	36.2	55.5	13	Automobile Accessories...	38.0	44.6	58.0	52.1	98.0h
24.9	11.8	14.2	13	Automobiles...	16.8	8.8	13.5	14.1	15.8
92.5	43.6	60.1	5	Aviation (1927 Cl.—100)...	68.0	41.3	67.2	65.4	68.0h
17.4	8.7	9.2	3	Baking (1926 Cl.—100)...	13.7	7.9	12.2	12.5	13.7h
240.9	153.6	191.8	2	Bottles & Cks. (1932—100)...	246.9	184.9	239.8	237.8	246.9h
136.0	100.0	131.6	4	Business Machines...	170.2	113.7	153.5	166.5	170.2h
229.5	178.9	237.5	2	Cans...	303.7	226.1	293.9	298.9	303.7h
210.5	134.3	167.2	8	Chemicals...	194.8	144.6	181.5	189.1	194.8h
37.2	22.1	28.8	16	Construction...	32.5	22.6	30.0	31.3	31.9
70.1	40.1	43.8	5	Copper...	78.8	35.7	78.8h	78.0	73.1
37.0	25.7	32.0	2	Dairy Products...	34.6	27.5	32.1	32.1	34.6h
26.8	16.4	21.2	8	Department Stores...	24.2	16.0	21.8	23.2	24.2h
84.2	56.0	73.1	7	Drugs & Toilet Articles...	73.1	56.1	61.5	64.7	67.0
91.3	59.1	78.7	3	Electric Apparatus...	150.2	70.1	138.0	148.0	150.2h
211.2	103.8	211.2	2	Finance Companies...	270.0	211.2	249.9	258.1	270.0h
64.0	51.1	58.3	7	Food Brands...	59.4	51.8	55.0	58.4	57.8
71.1	55.1	65.7	4	Food Stores...	56.4	46.5	48.7	48.6	48.9
58.8	36.2	45.4	3	Furniture & Floor Coverings...	61.1	32.1	52.9	55.3	61.1h
1372.0	1106.0	1164.9	3	Gold Mining...	1209.7	1018.2	1053.1	1041.4	1018.2x
35.6	25.1	35.6	5	Household Equipment...	42.2	25.3	40.0	40.8	40.6
31.8	19.3	20.8	4	Investment Trusts...	31.5	17.0	28.2	29.2	30.4
295.5	164.0	247.0	3	Liquor (1932 Cl.—100)...	317.4	223.6	273.7	286.2	317.4h
53.4	34.2	44.2	2	Mail Order...	60.4	36.0	53.4	56.9	57.3
88.6	51.9	62.0	3	Meat Packing...	62.2	34.5	43.6	47.4	56.8
160.1	117.4	127.8	11	Metal Mining & Smelting...	157.8	109.4	157.8h	154.7	151.8
86.8	52.0	58.2	23	Petroleum...	71.5	51.3	64.0	68.8	70.3
25.0	15.2	21.0	3	Phonos. & Radio (1927-100)...	22.2	15.9	21.0	21.2	23.2h
72.8	32.1	34.8	18	Public Utilities...	63.8	23.0	48.1	53.4	53.4
66.2	34.9	43.9	8	Railroad Equipment...	43.9	29.3	37.5	37.5	38.7
52.0	24.5	25.8	25	Railroads...	26.7	17.5	20.1	20.1	20.7
15.9	6.0	8.8	3	Realty...	10.4	5.2	8.9	9.3	9.6
50.2	28.9	41.6	3	Shipbuilding...	55.1	28.5	54.6	54.8	54.5
77.0	42.0	54.4	10	Steel & Iron...	75.7	37.6	70.0	72.2	73.4
31.3	20.4	22.2	5	Sugar...	30.4	21.1	26.2	25.9	26.1
214.0	131.5	143.2	2	Sulphur...	150.3	122.5	130.1	135.6	137.5
70.3	40.2	45.2	3	Telephone & Telegraph...	64.6	34.2	58.2	61.3	64.6h
65.8	37.5	47.8	8	Textiles...	64.6	34.7	58.2	61.3	64.6h
14.6	7.6	9.0	5	Tires & Rubber...	9.3	6.0	7.2	7.2	7.6
88.6	65.5	84.7	4	Tobacco...	89.7	77.2	86.4	88.2	89.7h
73.5	45.8	65.0	3	Traction...	85.4	51.0	83.0	82.4	80.5
275.5	43.6	258.2	3	Variety Stores...	282.8	219.7	270.1	277.9	282.8h

H—New HIGH record since 1931. h—New HIGH this year. x—New LOW this year.



(An unweighted index of weekly closing prices; compensated for stock dividends, splits, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

Answers to Inquiries

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AMERICAN MACHINE & FOUNDRY CO.

On my 100 shares of American Machine & Foundry, bought recently at 21½, I have a four-point profit. Bearing in mind the 3½% yield which seems to be safe, I am inclined to hold for the longer pull. In your opinion do the future possibilities confirm this viewpoint?—N. U. C., San Francisco, Calif.

Stability of earning power and characteristic financial strength are shown by the half-year report of American Machine & Foundry Co. as of June 30, 1935, when net income was \$507,105, equal to 51 cents a share, compared with \$502,387, or 50 cents a share for the first half of 1934. Current assets of \$3,368,503 included \$854,812 cash, whereas current liabilities at June 30, 1935, were only \$259,278. Thus, the half-year's dividend needs have been amply covered. The uptrend in cigarette production so far this year which, in the first 5 months exceeded 53 billions is an indication that the full year 1935 may show a new high level of more than 135½ billions of cigarettes. This would involve at least a strong possibility that earnings of American Machine & Foundry for the full year 1935 may be expected to exceed the rate of \$1.11 a share for 1934, since the company's chief source of revenue arises from the manufacture, sale and leasing of machines for making cigarettes and cigars. The elimination of the company's funded debt, in the first half of this year, leaves the 1,000,000

shares of common stock as the sole capital obligation, sharing the entire profits of the enterprise. As a secondary consideration, the expansion of American Machine & Foundry into other lines, including machinery for the baking and paper printing lines and its more recent venture into chemical products, have given the advantages of diversification and may, over a longer term, add substantially to income. Consequently, we endorse your inclination to hold for the longer pull, feeling that your viewpoint is well confirmed by the outlook for this company and its stock.

RADIO CORP. OF AMERICA

I have 200 shares of Radio common which I bought at 8½. Because I understand earnings thus far in the last half of 1935 are running ahead of the initial six months, I thought this stock would do better. What is the outlook? What do you recommend?—J. K., Trenton, N. J.

You are correct in your understanding that earnings of Radio Corp. of America thus far in the last half of 1935 are running ahead of the initial six months, giving a reasonable basis for the expectation that the company may earn the full \$5 dividend requirement on the class "B" preferred stock this year. Moreover, current results also give a basis for expecting that the management may take some action toward the payment of back dividends on that issue on which the accumula-

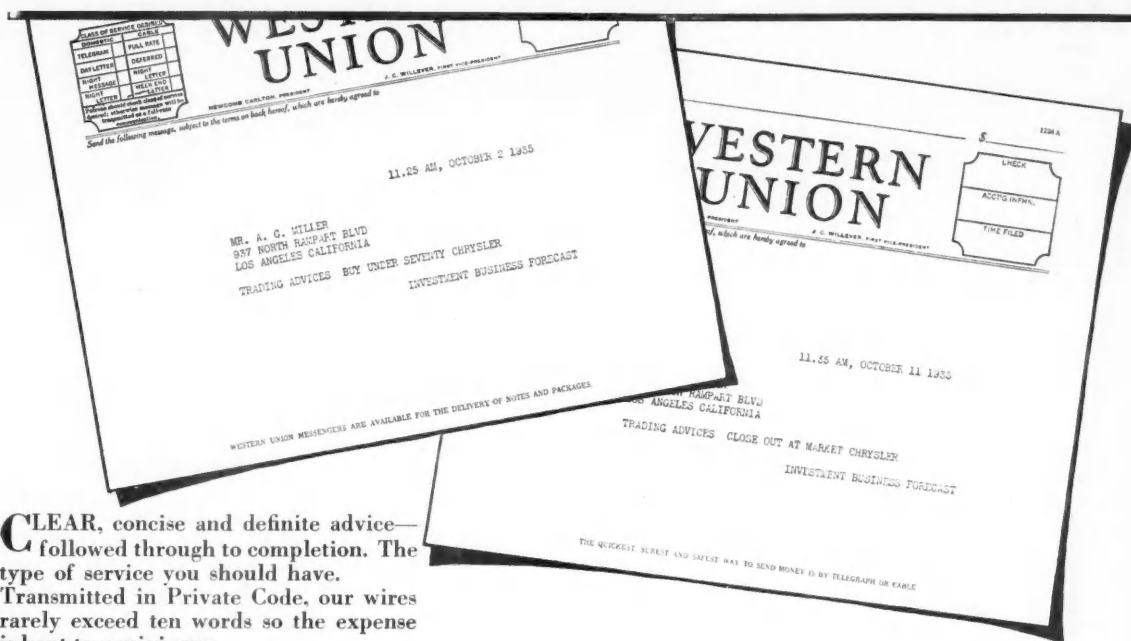
tions as of October 1, 1935, were \$15,345,500 or \$20 a share. The management has shown a disposition favorable to the reduction and elimination of preferred dividend arrearages as soon as possible, having paid off the accumulations on the class "A" preferred last February, and while the complete liquidation of the entire back dividends on the class "B" preferred is not in immediate prospect, there are good reasons for hoping that a start may be made in that direction soon. Thus, holders of the common stock may at least visualize themselves a few steps nearer to the realization of returns on the junior equity. For the first six months of this year net profit was \$2,289,136, equal to \$1.85 a share on the preferred "B," after provision for dividends on the preferred "A," compared with a profit of \$1,771,581 or \$1.18 a share of preferred "B" for the first half of 1934. Normally the final quarter of the year is the best for Radio, but this year several of the operating subsidiaries showed improvement early in the third quarter. The National Broadcasting Co., whose earnings in 1934 gained 30% over those of 1933, has continued the uptrend and is expected to report a further gain of about 12% for this year. The manufacturing end of the business, represented by RCA Manufacturing Co., Inc., is reported to be enjoying a record volume of business in radio receiving sets and is looking forward to its best year since 1929.

(Please turn to page 47)

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BRIGGS MANUFACTURING COMPANY

Dividend on Common Stock

Directors of Briggs Manufacturing Company have declared a regular quarterly cash dividend of fifty cents (\$50) per share, and an extra cash dividend of fifty cents (\$50) per share on the outstanding non-par value stock of the company, payable October 31, 1935, to stockholders of record at the close of business October 16, 1935.

CONTINENTAL CAN COMPANY, Inc.

A regular quarterly dividend of seventy-five cents (75¢) per share on the common stock of this Company has been declared payable November 15, 1935, to stockholders of record at the close of business October 25, 1935. Books will not close.

J. B. JEFFRESS, JR., Treasurer.

New York Stock Exchange

Rails

	1933		1934		1935		Last Sale 10/16/35	Div'd \$ Per Share
A	High	Low	High	Low	High	Low		
Atchison	80 1/2	34 3/4	73 3/4	45 1/4	57 1/2	35 3/4	47 3/4	12
Atlantic Coast Line	59	16 1/2	54 1/4	24 1/2	37 3/4	19 1/2	23 3/4	..
B								
Baltimore & Ohio	37 3/4	8 1/4	34 1/4	12 3/4	18	7 1/2	14 3/4	..
Bangor & Aroostook	41 1/4	20	46 1/2	35 1/2	49 1/2	36 1/2	45	2.50
Brooklyn-Manhattan Transit	41 1/4	21 3/4	44 3/4	28 3/4	46 3/4	36 1/2	42 3/4	3
C								
Canadian Pacific	20 3/4	7 1/2	19 1/4	10 3/4	13 3/4	8 3/4	9 1/4	..
Chesapeake & Ohio	49 1/4	24 3/4	48 3/4	39 1/2	47 1/2	37 1/2	44 3/4	2.80
C. M. & St. Paul & Pacific	11 1/4	1	8 1/2	2	3	1 1/4	1	..
Chicago & Northwestern	16	1 1/4	15	3 1/2	5 1/2	1 3/4	2 1/4	..
D								
Delaware & Hudson	93 3/4	37 3/4	73 1/2	35	43 1/2	23 1/2	34	..
Delaware, Lack. & Western	46	17 1/2	33 3/4	14	19 1/2	11	14 3/4	..
E								
Erie R. R.	25 3/4	3 3/4	24 3/4	9 3/4	14	7 1/2	10 1/2	..
G								
Great Northern Pfd.	33 3/4	4 3/4	32 1/2	12 1/4	27 1/2	9 3/4	25 3/4	..
H								
Hudson & Manhattan	19	6 1/2	12 3/4	4	5 1/2	2 3/4	3 3/4	..
I								
Illinois Central	50 3/4	8 1/4	38 3/4	13 3/4	17 3/4	9 1/2	15 1/2	..
Interborough Rapid Transit	13 3/4	4 1/4	17 1/2	5 1/4	23 3/4	8 3/4	21 3/4	..
K								
Kansas City Southern	24 3/4	6 1/2	19 3/4	6 3/4	8 3/4	3 3/4	6	..
L								
Lehigh Valley	27 3/4	8 3/4	21 1/4	9 1/4	11 1/4	5	8 3/4	..
Louisville & Nashville	67 3/4	21 1/4	62 1/2	37 3/4	47 1/2	34	43	12.50
M								
Mo., Kansas & Texas	17 1/2	5 3/4	14 3/4	4 3/4	6 1/4	2 1/2	3 3/4	..
N								
New York Central	58 1/2	14	45 1/4	18 3/4	27 3/4	12 1/4	22 3/4	..
N. Y., Chic. & St. Louis	27 3/4	2 3/4	26 3/4	9	13	6	7 3/4	..
N. Y., N. H. & Hartford	34 3/4	11 3/4	24 3/4	6	8 1/2	2 3/4	4 3/4	..
N. Y., Ontario & Western	15	7 1/2	11 3/4	4 1/2	6	2 3/4	4	..
Norfolk & Western	177	111 1/2	187	161	193	158	187 1/2	78
Northern Pacific	34 3/4	9 3/4	36 1/4	14 1/2	21 1/4	13 1/4	16 3/4	..
P								
Pennsylvania	42 1/4	13 3/4	39 3/4	20 3/4	30 1/2	17 1/2	27	1.50
Pere Marquette	37	3 3/4	38	12	21 1/2	9 1/2	19	..
Pittsburgh & W. Va.	35 3/4	6 1/2	27	10	17 3/4	6 3/4	12 3/4	..
R								
Reading	62 1/2	23 1/2	56 3/4	35 3/4	43 3/4	29 3/4	36 1/2	2
S								
St. Louis-San Fran.	9	7 3/4	4 3/4	1 1/2	2	3/4	3 3/4	..
Southern Pacific	38 3/4	11 3/4	33 3/4	14 3/4	21 1/2	12 3/4	18 3/4	..
Southern Railway	36	4 3/4	36 1/2	11 1/2	16 1/2	8 1/2	9	..
T								
Texas & Pacific	43	15	43 1/4	13 1/2	25 3/4	14	18 1/4	..
U								
Union Pacific	132	61 1/4	133 3/4	90	111 1/2	82 1/2	94 1/4	6
W								
Western Maryland	16	4	17 1/4	7 3/4	9 3/4	5 1/2	7 1/2	..
Western Pacific	9 1/2	1	8 1/2	2 3/4	3 3/4	1 1/2	1 1/2	..

Industrials and Miscellaneous

	1933		1934		1935		Last Sale 10/16/35	Div'd \$ Per Share
A	High	Low	High	Low	High	Low		
Adams-Millie Corp.	21 3/4	8	34 3/4	16	35 1/2	28	34 3/4	2
Air Reduction, Inc.	112	47 1/2	113	91 3/4	161	104 3/4	159 3/4	*3
Alaska Juneau	33	11 3/4	23 3/4	16 3/4	20 1/2	14 3/4	14 3/4	6.00
Allied Chemical & Dye	152	70 3/4	160 3/4	115 1/2	173	125	171	6
Allis Chalmers Mfg.	26 3/4	6	23 3/4	10 3/4	31 3/4	12	30 1/4	..
Alpha Portland Cement	24	5 3/4	20 1/2	11 1/2	20 1/4	14	16	1
Amerada Corp.	47 3/4	18 1/2	55 3/4	39	71	48 1/2	67 1/2	2
Amer. Agric. Chemical (Del.)	35	7 3/4	48	25 1/4	57 3/4	41 3/4	52 3/4	3
American Bank Note	28 1/2	8	25 1/4	11 3/4	32 1/2	13 3/4	30 3/4	..
American Brake Shoe & Fdy.	100 1/2	49 1/2	114 3/4	90 3/4	146 1/2	110	143 3/4	*4
Amer. Car & Fdy.	39 3/4	3 3/4	33 3/4	12	25 1/2	10	20 3/4	..
American & Foreign Power	19 3/4	3 3/4	13 3/4	3 3/4	9 1/4	2	6	..
Amer. International Corp.	15 1/2	4 1/4	11	4 3/4	9 3/4	4 1/4	8 3/4	..
Amer. Power & Light	19 3/4	4	12 3/4	3	9 3/4	1 1/2	7	..
Amer. Radiator & S. S.	19	4 3/4	17 1/2	10	18 1/2	10 1/2	17 1/2	..
Amer. Rolling Mill	31 3/4	5 3/4	28 1/4	13 1/4	27 1/2	18 1/2	26 3/4	1.50
Amer. Smelting & Refining	87 1/2	10 3/4	81 3/4	30 3/4	83 3/4	31 3/4	62 3/4	..
Amer. Steel Foundries	27 3/4	4 3/4	26 1/2	10 3/4	20 1/2	12	16 1/2	..
Amer. Sugar Refining	74	21 1/2	72	46	70 1/2	51	52 1/2	2
Amer. Tel. & Tel.	134 3/4	86 1/2	125 1/4	100 1/4	145 3/4	98 3/4	141 3/4	9
Amer. Tob. B.	94 3/4	50 3/4	89	67	105 3/4	74 3/4	103	5
Amer. Water Works & Elec.	43 1/4	10 3/4	27 3/4	12 3/4	19 1/4	7 3/4	16 3/4	..
Amer. Woolen Pfd.	67 3/4	22 3/4	83 3/4	36	62 3/4	38 3/4	60 3/4	..
Anaconda Copper Mining	22 3/4	6	17 1/2	10	20 1/2	12	20 3/4	..
Amour Co. of Ill.	32 1/2	12 3/4	35 1/2	21 1/2	28	20 1/2	22 1/2	1
Atlantic Refining	84 1/2	31	57 3/4	16 1/2	44 1/2	18	42 1/2	..
Auburn Auto.	16 3/4	8 1/2	10 3/4	3 3/4	4 3/4	2 3/4	3 3/4	..
Aviation Corp. Del.								
B								
Baldwin Loco. Works	17 3/4	3 3/4	16	4 3/4	6 3/4	1 1/2	2 1/4	..
Beatrice Creamery	27	7	19 3/4	10 3/4	19	14	18 3/4	1.50
Beech-Nut Packing	70 1/2	45	76 3/4	58	95	72	92 1/2	*3
Bendix Aviation	21 1/4	6 1/4	23 3/4	9 3/4	24	11 3/4	23 3/4	..

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1933		1934		1935		Last Sale 10/16/35	Div'd \$ Per Share
B	High	Low	High	Low	High	Low		
Best & Co.	33 1/2	9	40	26	54	34	54	2
Bethlehem Steel Corp.	49 1/2	10 1/2	49 1/2	24 1/2	41 1/2	21 1/2	38 1/2	3
Bohn Aluminum	58 1/2	9 1/2	68 1/2	44 1/2	59 1/2	31 1/2	48 1/2	1.60
Borden Company	37 1/2	18	28 1/2	19 1/2	26 1/2	21	24 1/2	2
Borg Warner	22 1/2	6 1/2	31 1/2	16 1/2	64	28 1/2	62 1/2	1.60
Briggs Mfg.	14 1/2	5 1/2	28 1/2	12	51	24 1/2	50 1/2	2
Bristol-Meyers	40 1/2	25	37 1/2	26	36 1/2	30 1/2	36	2
Burroughs Adding Machine	20 1/2	6 1/2	19 1/2	10 1/2	20 1/2	13 1/2	20 1/2	.60
Byers & Co. (A. M.)	43 1/2	8 1/2	32 1/2	13 1/2	20 1/2	11 1/2	16 1/2	..
C								
California Packing	34 1/2	7 1/2	44 1/2	18 1/2	42 1/2	30 1/2	35 1/2	1.50
Canada Dry Ginger Ale	41 1/2	7 1/2	29 1/2	12 1/2	16 1/2	8 1/2	9 1/2	..
Case, J. L.	103 1/2	30 1/2	86 1/2	35	86 1/2	46 1/2	83	..
Caterpillar Tractor	29 1/2	5 1/2	38 1/2	23	55 1/2	36 1/2	53 1/2	1
Celanese Corp.	58 1/2	4 1/2	44 1/2	17 1/2	35 1/2	19 1/2	28 1/2	4
Corro de Pasco Copper	44 1/2	5 1/2	44 1/2	30 1/2	63 1/2	38 1/2	58	3
Chesapeake Corp.	52 1/2	14 1/2	48 1/2	23 1/2	47 1/2	36	43 1/2	1
Chrysler Corp.	57 1/2	7 1/2	60 1/2	29 1/2	83 1/2	31	81	1
Colgate-Palmolive-Peet	22 1/2	7 1/2	18 1/2	9 1/2	19 1/2	16 1/2	17 1/2	.50
Columbian Carbon	71 1/2	23 1/2	77 1/2	58	94	67	90 1/2	4
Colum. Gas & Elec.	28 1/2	9	19 1/2	6 1/2	14	3 1/2	13 1/2	1.20
Commercial Credit	19 1/2	4	40 1/2	18 1/2	55 1/2	39 1/2	54 1/2	2.50
Comm. Inv. Trust	43 1/2	18	61	35 1/2	72	56 1/2	80 1/2	2.80
Commercial Solvents	67 1/2	9	36 1/2	9	28 1/2	16 1/2	18 1/2	.60
Congoleum-Nairn	29 1/2	7 1/2	34 1/2	22	40	27	40	1.60
Consolidated Gas of N. Y.	64 1/2	34	47 1/2	18 1/2	34 1/2	15 1/2	28 1/2	1
Consol. Oil	15 1/2	5	14 1/2	7 1/2	10 1/2	6 1/2	8 1/2	1.25
Container Corp. "A"	10 1/2	1 1/2	13 1/2	6 1/2	16 1/2	8 1/2	16 1/2	3
Continental Can, Inc.	78 1/2	35 1/2	64 1/2	56 1/2	91 1/2	62 1/2	89	1.20
Continental Insurance	36 1/2	10 1/2	36 1/2	23 1/2	42	28 1/2	41 1/2	1
Continental Oil	18 1/2	4 1/2	22 1/2	15 1/2	23	15 1/2	20 1/2	1.60
Corn Products Refining	65 1/2	4 1/2	84 1/2	55 1/2	78 1/2	60	64 1/2	1
Crown Cork & Seal	65 1/2	14 1/2	36 1/2	18 1/2	36	23 1/2	33 1/2	2.50
Cudahy Packing	59 1/2	20 1/2	52 1/2	37	47 1/2	39 1/2	44	1
Cutler-Hammer, Inc.	21	4 1/2	21 1/2	11	40	16	40	..
D								
Deere & Co.	49	5 1/2	34 1/2	10 1/2	47 1/2	22 1/2	45 1/2	1.60
Diamond Match	39 1/2	17 1/2	28 1/2	21	40 1/2	26 1/2	38	2
Dome Mines	39 1/2	12	46 1/2	32	43 1/2	34 1/2	39 1/2	1.75
Douglas Aircraft	18 1/2	10 1/2	28 1/2	14 1/2	33	17 1/2	31 1/2	3.60
Du Pont de Nemours	96 1/2	32 1/2	103 1/2	80	136 1/2	86 1/2	134 1/2	..
E								
Eastman Kodak Co.	89 1/2	46	116 1/2	79	161	110 1/2	156 1/2	1
Electric Auto Lite	27 1/2	10	31 1/2	15	35 1/2	19 1/2	34 1/2	1.30
Elec. Power & Light	15 1/2	3 1/2	9 1/2	2 1/2	7 1/2	1 1/2	4 1/2	2.25
Electric Storage Battery	54	21	52	34	49 1/2	39	48	3
Endicott Johnson Corp.	62 1/2	26	63	45	66	52	64 1/2	..
F								
Fairbanks, Morse & Co.	11 1/2	2 1/2	18 1/2	7	26 1/2	17	24	1.40
Firestone Tire & Rubber	31 1/2	9 1/2	25 1/2	13 1/2	18 1/2	13 1/2	14 1/2	2.50
First National Stores	70 1/2	42	69 1/2	53	58 1/2	45	46 1/2	1
Foster Wheeler Corp.	23	4 1/2	22	8 1/2	18 1/2	9 1/2	17 1/2	..
Freeport Texas Co.	49 1/2	16 1/2	50 1/2	21 1/2	28 1/2	17 1/2	26 1/2	1
G								
General Amer. Transp.	43 1/2	13 1/2	43 1/2	30	44	32 1/2	40	1.75
General Baking	20 1/2	10 1/2	14 1/2	6 1/2	13 1/2	7 1/2	13	.60
General Electric	30 1/2	10 1/2	26 1/2	16 1/2	38 1/2	20 1/2	34 1/2	.80
General Foods	39 1/2	21	36 1/2	28	37 1/2	30	34	1.80
General Mills	71	35 1/2	64 1/2	51	71 1/2	59 1/2	71	3
General Motors Corp.	35 1/2	10	42	24 1/2	49 1/2	36 1/2	49 1/2	2
General Railway Signal	49 1/2	13 1/2	45 1/2	23 1/2	34 1/2	15 1/2	32	1
General Refractories	19 1/2	2 1/2	23 1/2	10 1/2	26 1/2	12	24	1
Gillette Safety Razor	20 1/2	7 1/2	14 1/2	8 1/2	19 1/2	12	18	1
Glidden Co.	20	3 1/2	28 1/2	16 1/2	38 1/2	23 1/2	37	1
Gold Dust Corp.	27 1/2	12	23	16	18	14 1/2	16 1/2	1.20
Goodrich Co. (B. F.)	21 1/2	3	18	8	11 1/2	7 1/2	8 1/2	..
Goodyear Tire & Rubber	47 1/2	9 1/2	41 1/2	18 1/2	26 1/2	15 1/2	17 1/2	2.40
Great Western Sugar	41 1/2	7	39 1/2	25	32 1/2	26 1/2	28 1/2	..
H								
Hercules Powder Co.	68 1/2	15	81 1/2	59	90	71	90	3
Hershey Chocolate	72	35 1/2	73 1/2	48 1/2	81 1/2	73 1/2	75 1/2	3
Homestake Mining	373	145	430 1/2	310	412	338	399	12
Hudson Motor Car	16 1/2	3	24 1/2	6 1/2	15 1/2	6 1/2	15 1/2	..
Hupp Motor Car	7 1/2	1 1/2	7 1/2	1 1/2	3 1/2	3 1/2	2 1/2	..
I								
Industrial Rayon	32 1/2	19 1/2	34 1/2	23 1/2	34	1.68
Ingersoll-Rand	78	19 1/2	73 1/2	49 1/2	110	60 1/2	110	2
International Business Machines	153 1/2	75 1/2	164	131	187	149 1/2	176 1/2	6
Inter. Cement	40	6 1/2	37 1/2	18 1/2	33	22 1/2	27 1/2	1
Inter. Harvester	46	13 1/2	46 1/2	23 1/2	60	34 1/2	57	.60
Inter. Nickel	23 1/2	6 1/2	29 1/2	7 1/2	31 1/2	22 1/2	30 1/2	.80
Inter. Tel. & Tel.	21 1/2	8 1/2	17 1/2	12 1/2	13 1/2	5 1/2	9 1/2	..
J								
Jewel Tea Co., Inc.	45	23	57 1/2	33	67	49	54 1/2	3
Johns-Manville	63 1/2	12 1/2	66 1/2	39	81 1/2	38 1/2	81	1.50
K								
Kelvinator	15 1/2	3 1/2	21 1/2	11 1/2	18 1/2	10 1/2	13 1/2	.50
Kennecott Copper	26	7 1/2	33 1/2	16	26 1/2	13	25 1/2	.60
Kroger Grocery & Baking	35 1/2	14 1/2	33 1/2	23 1/2	32 1/2	22 1/2	26	1.60
L								
Lambert Co.	41 1/2	19 1/2	31 1/2	22 1/2	28 1/2	21 1/2	22	1.2
Lehman Corp.	79 1/2	37 1/2	78	68 1/2	98 1/2	67 1/2	91 1/2	2.40
Libbey-Owens-Ford	37 1/2	4 1/2	43 1/2	22 1/2	41 1/2	21 1/2	40 1/2	1.20
Liggett & Myers Tob. B.	99 1/2	49 1/2	111 1/2	74	120	94 1/2	118 1/2	4
Loew's, Inc.	36 1/2	8 1/2	37	20 1/2	49	31 1/2	47 1/2	2
Lorillard	25 1/2	10 1/2	22 1/2	15 1/2	26 1/2	18 1/2	25 1/2	1.20
M								
Mack Truck, Inc.	46 1/2	13 1/2	41 1/2	22	28 1/2	18 1/2	23 1/2	1
Macy (R. H.)	65 1/2	24 1/2	63 1/2	35 1/2	84	30 1/2	83	2

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New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

M	1933		1934		1935		Last Sale 10/16/35	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
Mathieson Alkali.....	46 3/4	14	40 1/4	23 1/2	33 1/2	23 1/2	31 1/2	1.50
May Dept. Stores.....	33	9 3/4	45 1/2	30	54 1/2	35 1/2	53 1/2	1.60
McIntyre, Porcupine.....	48 3/4	18	50 1/2	30 1/2	45 1/2	34 1/2	36	
McKeesport Tin Plate.....	95 3/4	44 1/2	95 1/2	79	127 1/2	90 1/2	122	4
Mesta Machine Co.....	21	7	34 1/2	20 1/2	35 1/2	24 1/2	34	2
Monsanto Chemical.....	83	25	96 1/2	39	90 1/2	55	90 1/2	*1
Montgomery Ward & Co.....	28 1/2	8 1/2	35 1/2	20	37 1/2	21 1/2	32 1/2	
N								
Nash Motor Co.....	27	11 1/2	32 1/2	12 1/2	19 1/2	11	16	1
National Biscuit.....	60 3/4	31 1/2	49 1/2	25 1/2	33 1/2	22 1/2	31 1/2	1.60
National Cash Register.....	23 1/2	5 1/2	23 1/2	12	19 1/2	13 1/2	19	.50
National Dairy Products.....	25 1/2	10 1/2	18 1/2	13	18 1/2	12 1/2	18	1.20
National Distillers.....	35 1/2	20 1/2	31 1/2	16	32 1/2	23 1/2	31 1/2	2
National Lead Co.....	140	43 1/2	170	135	140 1/2	121 1/2	134	6
National Power & Light.....	20 1/2	6 1/2	15 1/2	9 1/2	14 1/2	4 1/2	9	.80
National Steel.....	55 1/2	15	58 1/2	34 1/2	73	40 1/2	72	*1
N. Y. Air Brake.....	23 1/2	6 1/2	28 1/2	11 1/2	28 1/2	18 1/2	25	
North American Co.....	36 1/2	12 1/2	25 1/2	10 1/2	24 1/2	9	20 1/2	1
O								
Otis Elevator.....	25 1/2	10 1/2	19 1/2	12 1/2	22	11 1/2	19	.60
Owens Ill. Glass.....	96 3/4	31 1/2	94	60	105 1/2	80	104	4
P								
Pacific Gas & Electric.....	31 1/2	15	23 1/2	12 1/2	28 1/2	13 1/2	27 1/2	1.50
Pacific Lighting.....	43 1/2	22	37	20 1/2	44 1/2	19	44 1/2	2.40
Packard Motor Car.....	6 1/2	1 3/4	6 1/2	2 1/2	5 1/2	3 1/2	5 1/2	
Paramount Pictures.....	12	8	10 1/2	5 1/2	10 1/2	5 1/2	10 1/2	2
Penney (J. C.).....	56	19 1/2	74 1/2	41 1/2	84 1/2	67 1/2	81 1/2	3
Peacock & Ford.....	60 3/4	25 1/2	67	45 1/2	81	64 1/2	70	1
Phelps Dodge Corp.....	18 1/2	4 1/2	18 1/2	13 1/2	26 1/2	12 1/2	24 1/2	1.25
Phillips Petroleum.....	18 1/2	4 1/2	20 1/2	13 1/2	30 1/2	13 1/2	30 1/2	*1
Pillsbury Flour Mills.....	22 1/2	9 1/2	34 1/2	18 1/2	36 1/2	31	36 1/2	1.60
Procter & Gamble.....	47 1/2	19 1/2	44 1/2	33 1/2	53 1/2	42 1/2	51 1/2	*1.50
Public Service of N. J.....	57 1/2	32 1/2	45	25	45	20 1/2	39 1/2	2.40
Pullman, Inc.....	58 1/2	15	59 1/2	36 1/2	62 1/2	29 1/2	31 1/2	1.50
R								
Radio Corp. of America.....	12 1/2	3	9 1/2	4 1/2	8 1/2	4	7 1/2	
Radio-Keith-Orpheum.....	5 1/2	1	4 1/2	1 1/2	5 1/2	1 1/2	5 1/2	
Raybestos-Manhattan.....	20 1/2	5	23	14 1/2	26 1/2	16 1/2	25 1/2	1
Remington Rand.....	11 1/2	2 1/2	13 1/2	6	14 1/2	7	14	
Republic Steel.....	23	4	25 1/2	10 1/2	19 1/2	9	16 1/2	
Reynolds (R. J.) Tob. Cl. B.....	54 1/2	26 1/2	53 1/2	39 1/2	57	43 1/2	56 1/2	3
S								
Safeway Stores.....	62 3/4	28	57	38 1/2	46	32 1/2	35	
Schenley Distillers.....	47	22	38 1/2	17 1/2	47 1/2	22	47 1/2	
Sears, Roebuck & Co.....	47	12 1/2	51 1/2	31	61 1/2	31	58 1/2	.75
Servel, Inc.....	7 1/2	1 1/2	9	4 1/2	12 1/2	7 1/2	11 1/2	.50
Shattuck (F. G.).....	13 1/2	5 1/2	13 1/2	6 1/2	10 1/2	7 1/2	9 1/2	.25
Shell Union Oil.....	11 1/2	4	11 1/2	6	11 1/2	5 1/2	9 1/2	
Socony-Vacuum Corp.....	17	6	19 1/2	12 1/2	15 1/2	10 1/2	11 1/2	.30
So. Cal. Edison.....	28	14 1/2	22 1/2	10 1/2	23 1/2	10	23	1.50
Spiegel May Stern Co.....	21 1/2	1	7 1/2	64	81	43	80	3
Standard Brands.....	37 1/2	13 1/2	25 1/2	17 1/2	19 1/2	12 1/2	13 1/2	.80
Standard Oil of Calif.....	45	19 1/2	42 1/2	26 1/2	38 1/2	27 1/2	33	1
Standard Oil of Ind.....	47 1/2	22 1/2	33 1/2	23 1/2	28	23	25 1/2	1
Standard Oil of N. J.....	47 1/2	22 1/2	50 1/2	39 1/2	50 1/2	35 1/2	45	*1
Sterling Products.....	63	45 1/2	66 1/2	47 1/2	67 1/2	58 1/2	63 1/2	3.50
Stewart-Warner.....	11 1/2	2 1/2	10 1/2	4 1/2	17 1/2	6 1/2	17 1/2	*.50
Stone & Webster.....	19 1/2	3 1/2	1 1/2	1 1/2	10 1/2	2 1/2	7 1/2	
Sun Oil Co.....	59	35	74 1/2	51 1/2	75 1/2	60 1/2	69 1/2	*1
T								
Texas Corp.....	30 1/2	10 1/2	29 1/2	19 1/2	23 1/2	16 1/2	21 1/2	1
Texas Gulf Sulphur.....	45 1/2	18 1/2	43 1/2	30	36 1/2	28 1/2	31 1/2	2
Tide Water Assoc. Oil.....	11 1/2	3 1/2	14 1/2	8	12	7 1/2	8 1/2	
Timken Roller Bearing.....	35 1/2	13 1/2	41	24	64 1/2	28 1/2	63	*1
Tri-Continental Corp.....	8 1/2	2 1/2	6 1/2	3	7 1/2	1 1/2	6 1/2	
U								
Underwood-Elliott-Fisher.....	39 1/2	9 1/2	58 1/2	36	82 1/2	53 1/2	82 1/2	2
Union Carbide & Carbon.....	51 1/2	19 1/2	50 1/2	35 1/2	71 1/2	44	71	1.60
Union Oil of Cal.....	23 1/2	8 1/2	20 1/2	11 1/2	20 1/2	14 1/2	19	1
United Aircraft.....	38	15 1/2	38	8 1/2	20 1/2	9 1/2	19 1/2	
United Carbon.....	14 1/2	4 1/2	10 1/2	5 1/2	10 1/2	4 1/2	10 1/2	2.40
United Corp. Pfd.....	40 1/2	22 1/2	37 1/2	21 1/2	44 1/2	20 1/2	40 1/2	3
United Fruit.....	68	23 1/2	77	59	92 1/2	60 1/2	68 1/2	3
United Gas Imp.....	25	13 1/2	20 1/2	11 1/2	18 1/2	9 1/2	16 1/2	1
U. S. Gypsum Co.....	53 1/2	18	51 1/2	34 1/2	77	40 1/2	77	*1
U. S. Industrial Alcohol.....	94	13 1/2	64 1/2	32	48 1/2	35 1/2	44 1/2	2
U. S. Pipe & Fdy.....	22 1/2	6 1/2	33	15 1/2	22	14 1/2	18 1/2	.50
U. S. Rubber.....	25	2 1/2	24	11	17 1/2	9 1/2	13 1/2	
U. S. Smelting, Ref. & Mining.....	105 1/2	13 1/2	141	96 1/2	124 1/2	92	95 1/2	18
U. S. Steel Corp.....	67 1/2	23 1/2	69 1/2	29 1/2	48 1/2	27 1/2	45 1/2	
U. S. Steel Pfd.....	105 1/2	53	99 1/2	67 1/2	113 1/2	73 1/2	110 1/2	2
V								
Vanadium Corp.....	36 1/2	7 1/2	31 1/2	14	21 1/2	11 1/2	18	
W								
Warner Brothers Pictures.....	9 1/2	1	8 1/2	2 1/2	8 1/2	2 1/2	7 1/2	
Western Union Tel.....	77 1/2	17 1/2	66 1/2	29 1/2	68 1/2	20 1/2	57	.50
Westinghouse Air Brake.....	35 1/2	11 1/2	36	16 1/2	28 1/2	18	23 1/2	.50
Westinghouse Elec. & Mfg.....	58 1/2	19 1/2	47 1/2	27 1/2	86 1/2	32 1/2	84 1/2	.50
Woolworth Co. (F. W.).....	50 1/2	25 1/2	51 1/2	41 1/2	58 1/2	51	59 1/2	2.40
Worthington Pump & Mach.....	39	8	31 1/2	13	21	11 1/2	17	
Wrigley (Wm., Jr.).....	57 1/2	34 1/2	76	54 1/2	82 1/2	73 1/2	79	*3

*Including extra. †Paid this year.

Answers to Inquiries

(Continued from page 42)

Even Radio Corp.'s hitherto unsatisfactory investment in about 84% of the debentures and 49% of the common stock of Radio-Keith-Orpheum, representing its stake in the amusement industry, may soon be entirely liquidated. A large part of Radio's holdings of R-K-O has been purchased by Atlas Corp. and Lehman Bros., with an option on the remainder. Radio Corp.'s investment overseas, consisting of 1,700,000 shares of ordinary stock of Electric & Musical Industries, Ltd., is looking upward with earnings estimated at about 18½% for 1935 and with its dividend of 10% and bonus of 2½% less tax, constituting a further source of income for RCA. In view of all these favorable developments, we are sufficiently optimistic toward Radio Corp. common stock to advocate retention of present holdings.

AMERICAN SNUFF CO.

Please give me a brief analysis of American Snuff common. I note it is mid-way between the high and low for the year. What is the real trend? Do you advise holding for investment?—S. S. J., Chicago, Ill.

Consumption of snuff in the first half of 1935 was slightly lower than that for the corresponding period a year before, but it is indicated that consumption may be somewhat higher in the last six months of the year, pointing to a slight gain for the full year. However, higher prices for leaf tobacco, reflecting the crop restriction and processing taxes, would suggest that profits of American Snuff Co. for the year 1935 may be about \$4 a share, or slightly lower than the rate of \$4.06 a share recorded for 1934. There is little question but that the regular dividend rate of \$3 will be maintained and the usual 25-cent extra may be expected to be paid early next January, in view of the strong cash position. In fact, the financial strength of the company, as revealed by the 1934 balance sheet, is so great that larger distributions could be made without impairing the treasury position. Stability is a characteristic of the snuff industry, not only in the earnings of the leading factors in the trade, but in demand for the product and in the brand preferences of its users, as well as retail prices. The preferences of the snuff-using public have been well established, so that the snuff industry contrasts sharply with the cigarette industry in

that large expenditures for advertising are not necessary in order to maintain sales. Moreover, the industry has been particularly free from price competition all through the depression. Snuff is chiefly consumed in the South, where the products of American Snuff Co. are most largely distributed. Improved economic and industrial conditions in that section, through higher prices for agricultural products and large government works expenditures, point to a moderate upward direction in the earnings and market trend over the longer term, justifying the continued maintenance of your long position in the stock as an investment.

FIRST NATIONAL STORES, INC.

What do you think of the future for First National Stores? Do you look for an early turn for the better? Would you continue to hold 150 shares averaging 53?—C. D. N., Boston, Mass.

Although increased costs of operations under various codes have largely been responsible for First National's decline in earnings, at the present time we see no need of your liquidating your 150 shares, averaging \$53 per share. First National Stores is the fourth largest retail grocery chain store system distributing its merchandise to all of the New England States as well as to Westchester County. Boston represents the more highly concentrated area for its products. For the quarter ended June 30, 1935, a net profit of \$731,459, after depreciation and Federal taxes was reported, equal after dividend requirements on the 7% preferred stock, to 84 cents a share on 816,067 no-par shares of common stock. This compares with \$1,088,515 or \$1.23 a share on 815,067 common shares in the June quarter of last year. Through shrewd financial management the company has maintained a strong position and as of March 30, 1935, current assets were \$16,955,833 with current liabilities of \$4,421,605. Last year cash was increased to \$3,535,308 from \$3,043,311. Throughout the depression this chain with its 2,623 outlets demonstrated an ability to cope successfully with the increased competition of rival chain stores, and as a consequence has been able to earn a net profit of more than four cents a dollar on sales. While an immediate increase in earnings may not be witnessed, from the longer term perspective, the outlook appears quite favorable. The company is relatively free from sales tax agitation in the area served and in a period characterized by more normal general business conditions, the company should be able to lift earnings more in line with those of the 1929 to 1933 period, when average annual

earnings were approximately twice the dividend requirements of \$2.50 a share on the common stock.

CONTINENTAL INSURANCE CO.

One of my clients has asked me the advisability of holding Continental Insurance bought at 31¾; also its dividend outlook. In view of its sizable advance this year I hesitate to advise him, and some word from you will be appreciated.—J. B., Los Angeles, Calif.

Despite the fact that Continental Insurance Co.'s capital shares have shown considerable marketwise advancement in line with the company's improved status, the issue appears still to have considerable to recommend it for those primarily concerned with longer term appreciation. In this connection, it is well to bear in mind that more than two-thirds of the company's funds are invested in equities and as a consequence the enterprise is in direct line to benefit from what industrial improvement lies ahead. This foremost unit in the fire insurance field should show betterment in earnings, of course, as industrial recovery continues to increase. Even though the underwriting profit of 1934 could not be maintained at the record level to which it had been lifted in the preceding 12 months, current earnings augmented by the income on portfolio holdings, might very easily make possible the matter of revising upward the present \$1.20 per share annual dividend rate, which in January, as you know, was supplemented by a 15-cent extra dividend. The asset equity of the outstanding stock at the end of 1934 amounted to \$27.87 per share whereas at the end of 1932 the stockholders' equity amounted to only \$17.37. It is very conceivable that at the year end 1935 results will show up even better and at prevailing prices the shares appear reasonably valued in relation to the company's strong trade position and earnings prospect. Consequently, we see little reason to liquidate your holdings at this time.

FRANK G. SHATTUCK CO.

I have 100 shares of Frank G. Shattuck Co. bought at 11¼. It has not made much progress so far this year. Do you think it will do better in the next six months? Would you advise me to continue holding?—R. W., Albany, N. Y.

While it is true that the shares of Frank G. Shattuck Co. have not made much progress so far this year, as you state, because of the company's strong financial position and the relative future profitability of this company we are hesitant to recommend the sale of the shares at this time. For the six months

ended June 30, last, the net profit amounted to \$86,310, after charges and taxes and was equal to 6 cents a share. These earnings compare with \$147,954 or 11 cents a share in the first half of 1934. The company's very strong financial position is shown by the fact that as of December 31, 1934, current assets including cash and United States Government and other marketable securities (carried at cost) of over 6¼ million, amounted to \$8,324,765, whereas current liabilities were only \$675,360. This compared with current assets of \$7,754,000 and current liabilities of \$612,330 a year before. The company's capable management has endeavored to do all possible to modernize the various restaurants in its chain and during this year air conditioned many of its principal shops. Within the last several weeks the thirtieth Schrafft restaurant in Manhattan and the forty-fourth unit in the Shattuck chain was opened and is the first new store to be thrown open to the public in nearly two years. This very fact would seem to speak well for the future as viewed from the management's angle, and as consumer purchasing power increases, earnings of this chain should do materially better in our opinion. Any such increase, of course, will be reflected in the price of the shares over the longer pull.

UNION CARBIDE & CARBON CORP.

I have a nice profit in Union Carbide bought at 46 on the basis of an analysis in your April 13 issue. Do you advise continued holding for investment? Do you believe higher dividends an early possibility?
—L. W. M., Detroit, Mich.

The earnings record of Union Carbide & Carbon Corp. during the depression years amply attests to the wide diversity of its operations and the skill of the management in maintaining its strong competitive position. True, earnings declined from a high of nearly \$4 a share in 1929, to less than \$1 a share in the universally poor year 1932, but this showing was considerably better than that of most industrial enterprises during the same period. Since 1932 the company has shown strong recuperative powers, its earnings having increased from 98 cents a share for that year to \$1.57 a share for the following 12 months and \$2.25 a share for 1934. In the first six months of the current year, the company's earnings were equal to \$1.18 a share, against \$1.01 a share in the first six months of 1934. Financially the company is in good shape; current assets at the close of last year amounted to \$75,000,000, including more than \$20,000,000 cash and equivalent, while current indebted-

ness amounted to only \$12,000,000. The company has maintained an active research department which is constantly improving old products and developing new ones, which give promise of bulking large in future earnings reports. On the basis of recent quarterly payments, the stock pays \$1.60 a share annually. With earnings for the full year 1935 likely to approximate \$3 a share, a more liberal dividend policy is believed a logical expectation. On the basis that the business recovery already witnessed will gain momentum over the next several years and in consideration of the already mentioned diversity which the company's products enjoy, the shares appear to possess good possibilities around current levels.

AMERICAN INTERNATIONAL CORP.

As a holder of American International Corp. purchased several years ago at almost double today's quotation, I would like to get your reaction as to the market possibilities of this stock. Do you believe that it will pay me to maintain my position in the issue or would a switch to another situation which you may be able to suggest prove desirable?—J. D. V., El Paso, Texas.

Originally incorporated under the laws of New York State in 1915 to promote international trade, the character of American International Corp.'s business has gradually changed to that of a management investment trust. Since 1923, the company has liquidated its interest in trading companies and at the close of 1934 held in its portfolio the securities of over 100 different organizations. This broad diversification naturally makes for a degree of flexibility not possible in the case of a company the assets of which are invested in fewer situations often held with a view to control. True, the company did not escape from the collapse of equity values which commenced in the latter part of 1929 and continued almost without interruption for more than three years, but its record has certainly been considerably better than that of many comparable organizations formed in the boom days just prior to the market crash. Capitalization of the company outstanding in the hands of the public consisted of \$13,821,000 principal amount of debenture bonds and 1,007,953 shares of common stock as at December 30, last. Evidencing the leverage which this type of capitalization exerts upon the common stock, liquidating value of that issue increased from \$5.57 a share at the close of last year to \$8.43 a share by September 30. The reported portfolio changes during the depression years attest to the acumen of the management in judging changing economic trends. Thus, beginning in 1932 there has been an in-

crease in the percentage of common stock holdings from 45% to 74% at the close of 1934. Income account doubtless is showing marked improvement at the present time, although the likelihood of dividend payments on the common stock are believed a matter of the indefinite future. For one interested principally in participating marketwise in any sustained advance of the general list, however, we feel that the shares offer an interesting medium and on that basis favor further maintenance of your long position.

CONTINENTAL CAN CO.

Has Continental Can now overdiscounted its appreciation possibilities for the present? I have 13 points profit and am undecided about holding. Please advise me.—Mrs. E. E. S., Baltimore, Md.

Although Continental Can is currently quoted at prices which, on the surface, appear to quite liberally discount such earnings and dividends as seem probable for some time to come, we feel that this stock will continue to sell at a premium over what is generally conceded to be normal statistical valuation. Earnings of the company last year were the highest recorded in its history, having equalled \$4.02 a share on the 2,665,191 shares of common stock outstanding. The report covering the 12 months ended June 30, 1935, showed a slight recession from the 1934 calendar year, having amounted to \$3.93 a share, but this figure compared favorably with that for the like interval of a year earlier when the equivalent of \$3.44 a share was shown. Reflecting the confidence of the management in the outlook, and the earnings recovery already registered, the quarterly dividend recently was increased to 75 cents a share, against 60 cents a share previously, thereby placing the stock on a \$3 annual basis. At recent quotations of around 88 the stock yields a return of nearly 3.5% which compares quite favorably with that prevailing on other issues of like calibre. The company recently announced that volume production had commenced on its newly-developed cap-sealed beer containers and this division gives promise of substantial growth because of the obvious advantages over the conventional glass bottles. The industry currently is enjoying an increased demand for general line cans as well as for packers cans, and Continental may be expected to obtain its full share of existing business. Of course, the company has probably disposed of most of its low-cost inventories which will tend to narrow profit margins, but this likely will be more than offset by increased volume sales. In view of the highly-liquid financial

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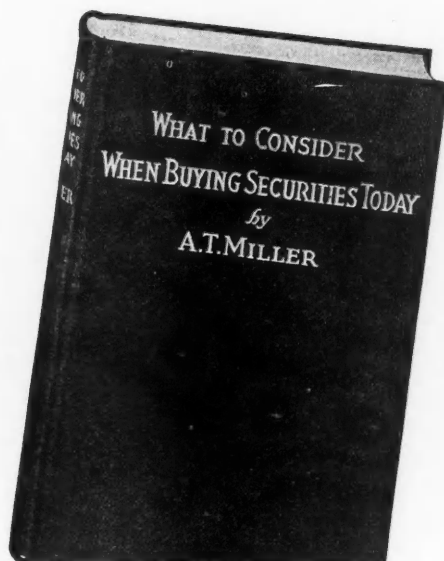
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status of the organization and the indicated ample coverage of the present dividend rate, extras or higher regular payments should accompany the earnings growth anticipated in any major upswing of the business cycle. Frankly, we feel the shares should be held further.

Currency Creeds and Commercial Treaties

(Continued from page 17)

firm conviction that devaluation would in no way contribute to the revival of national prosperity. They argue that either devaluation, or the more dangerous alternative of uncontrolled inflation, may provide a temporary increase in taxable revenues, but at the same time imposes a corresponding increase in budgetary appropriations. The experience of other countries, not excluding our own, bears out irrefutably the logic of this argument. Actually, the fundamental problem in France is not one of devaluation, deflation or inflation. Primarily the question is one of debt conversion. The staggering burden of debt services at the present high level of interest rates may be diagnosed as the chief cause of budgetary disequilibrium. It is this problem that Mr. Laval has tackled with unflinching courage. Debt conversion can only be achieved by the restoration of confidence in the national government, and a continued rise in prices of gilt-edged securities. French rentes, after the institution of the famous decree-laws, moved encouragingly to higher levels, but a war scare superimposed upon an already sensitive monetary and economic malaise engendered a reverse trend in the price of long-term investments.

Not only in France and Holland, but Switzerland as well, the universal doubts and fears throughout the various crises of the summer have been intensified by the threat of international disturbance. Gold is flowing into the United States at a rate limited only by the physical capacity of shipping and insurance services. The movement of this excessive supply of floating capital away from Europe has unfortunately occurred at a time when the gold bloc exchange markets are ill-equipped to bear the strain. Since the Dutch and Swiss central banks have confined gold interchange to the gold bloc, the Bank of France alone occupies the position of a fulcrum bearing the entire leverage exerted by the dollar. Hence the shipment of over three hundred million dollars' worth of European gold, to America in a month has given bankers in both London and New York further

cause to predict the demise of the gold bloc—and it undoubtedly has weakened the position of the bloc, although not necessarily broken them.

It must be emphasized that this influx represents largely frightened capital, which will subsequently be recalled. In a measure, it represents also the repatriation of unproductive gold stocks that sought refuge in London after the Roosevelt money "panic." To a lesser degree, floating funds are seeking investment opportunities for appreciation. But with an 18 per cent risk of further dollar inflation, foreign capital in Wall Street is limited to rather small proportions.

Whatever the various origins, the European gold drain was engendered by political, rather than monetary causes. Gold ratios of the central banks are still adequate to prevent devaluation. In other words, any near-term adjustment of gold bloc parities will come, not because of financial necessity, but of political expediency. For the present at least, popular opinion in France, Holland or Switzerland lacks sufficient majorities to enforce devaluation.

To prophesy long-term developments through the obscurities of the present would be more than presumptuous. War may again throw world economy out of joint. A shift in political spheres may drag one or all of the gold bloc countries from their financial moorings. Meanwhile, the *de facto* stabilization now in operation is likely to continue, and the scope of the sterling bloc to increase both in influence and in area. Whatever the future may hold in store, the best we can hope is that those in responsible positions of authority will return to the financial faith of their fathers in monetary stabilization—trade with others as they would have others trade with them, and above all accept the practical belief that a good commercial treaty is always mightier than the sword.

The Outlook for Rail Recovery

(Continued from page 24)

town. Also, increased productivity by General Electric is of importance to Central, with Schenectady as a main-line point.

The Central's passenger business could be a potent factor but this has been allowed to slip away through an unyielding pertinacity to a rate-structure simply too high to attract volume patronage.

Baltimore & Ohio is the third rail of prime interest on the Big Board.

Daniel Willard, its president, said a long time ago that a 15 per cent increase in traffic would put the road in the clear by enabling it to meet its charges readily. While this was before wages were increased, Baltimore & Ohio taps much the same industrial area of the Mid-West that Central and Pennsylvania do, and can be as readily affected by an upturn in this district as the other two roads can. Its probable deficit for the year was recently estimated at something over \$2,500,000 by its management. The railroad labors under the difficulty of a traffic of which 60 per cent represents products of mines, with 45 per cent of the total traffic being bituminous coal. During the days before the impending strike, this traffic rose sharply, but with dealers well-stocked, it is falling off again now. The objective of the railroad is a greater diversification of its traffic, so that it will not rely so largely upon products of mines for its business. (It has maturing obligations in 1936 which total 14 million dollars of which \$5,468,000 are equipment trust notes and another \$5,500,000 are R F C notes.)

In the West, the old favorites, both speculative and investment—notably Union Pacific, Southern Pacific and Atchison—stand to benefit by a more liberal interpretation of the Fourth Section of the Interstate Commerce Act which may be repealed at the next Congress. It has been estimated that this repeal, enabling these roads to compete more equitably with steamship lines for trans-continental business, would produce at least \$27,000,000 in increased revenues to the railroads. A substantial part of this would inure to these three railroads, almost all of it net revenue.

The reason that much of it would be net revenue is that the repeal of this "long-and-short-haul" clause would enable these lines to reduce their rates to coastal ports, while maintaining a higher scale at the interior. In charging lower rates to more distant points than to intermediate ones, the roads would not be sacrificing revenue, for they would thus be able to solicit business now going by water through the Panama Canal and load in cars which they must otherwise move west empty for eastbound lading.

None of the western lines, other than Great Northern, have any maturities of moment in the next year or so, and with an upturn in traffic, coupled with an ability to retain their eastbound fruit traffic in competition with steamship lines (with large refrigerated quarters) and to regain the silk business (lost to steamship lines in recent years) by reason of sharp rate-reductions made on this tremendously valuable business, the important transcon-

tinental lines should be in a favorable position.

Most students agree that truck competition is not as serious a factor as railroad men make it appear to be. And this is offset, in part, by the tremendous volume of railroad-moved freight attendant to the automotive business in general. A more alert means of combatting it, such as that instigated primarily by the Pennsylvania Railroad, would be of inestimable value to all railroads, particularly those in the East where truck hauls are shorter and the railroad's superiority less pronounced, or non-existent.

The Pennsylvania, with its store-door pick-up and delivery of freight; its recently-announced "c.o.d." basis of handling such shipments; its use of trucks in short-haul business to implement its rail line and the use of demountable truck bodies, handled on freight cars, all are factors of growing importance in meeting highway competition. Then there is the "container," similarly transferrable from truck to flat-car and vice versa.

Finally, of the railroads in which recent pronounced moves have occurred in their stock is New Haven. The recent break in the common and preferred and bonds was predicated on the theory that it could not meet its October interest payments. But it did. On November 1, it has another \$1,000,000 coming due. New Haven's affiliation with Pennsylvania has not helped its traffic essentially and, in fact, one of its principal worries is the decline in its passenger business—representing, formerly, nearly one-third of its gross revenues. The railroad has been one of the trio insisting upon a maintenance of the pre-depression passenger rate-scale (the others being N. Y. C. and Pennsylvania). Perhaps through an assiduous cultivation of passenger business, New Haven could regain its position even more quickly than by awaiting a revival in freight traffic in New England.

But as the finished product of the factories engaged in manufacturing heavy goods begins to take the rails in ensuing weeks, there is evidence of a definite upturn in rail traffic, and consequently of earnings, both gross and net. When this occurs, it will mean that the rails, themselves, will again be purchasers of durable goods, thus giving this type of traffic a further impetus.

Railroad bond maturities for the ensuing year are heavy, aggregating approximately nearly \$350,000,000, excluding equipment trusts, which ordinarily are in nominal amounts. The figures are from November, 1935, for a twelve-month period. Notable among these are maturities aggregating \$105,859,000 by Great Northern; \$64,200,-

000 by the Pennsylvania and its subsidiaries (divided, \$54,100,000 for the Pennsylvania; \$4,100,000 for the West Jersey & Seashore; \$1,000,000, Delaware River RR. & Bridge Co., and \$5,000,000 for the Grand Rapids & Indiana); two New York Central subsidiaries, the Beech Creek RR., with \$5,000,000, and the C. I. St. L. & C. with \$5,179,000, totalling \$10,179,000, not to mention the \$64,000,000 bank loans of the Central, recently the subject of controversy with the R F C; the Maine Central, with \$20,000,000; Denver & Rio Grande Western, with \$40,000,000; Chicago & North Western \$14,775,000, in addition to \$4,000,000 of its Sioux City & Pacific; \$10,000,000 for the Frisco, plus \$25,835,000 of its Kansas City, Fort Scott & Memphis; \$5,000,000 for the Soo Line; \$8,000,000 of the Illinois Central; \$2,000,000 for a B. & O. subsidiary in addition to the R F C and equipment notes already mentioned and more than \$12,000,000 of Southern Railway maturities.

Even these impressive figures do not include a number of smaller sums for such roads as the Seaboard, Reading, Atlantic Coast Line, and others.

One Year or Ten Years?

(Continued from page 28)

tions—no wild inflationary rise in prices—such a happy accomplishment frankly appears to be some time away.

Let us look at the question from the consumer angle. The demand for steel is still proportionately much larger in the lighter than in the heavier grades. A man speaking of the bright outlook for steel usually has the automobile demand at the back of his mind, but this, even added to the bright outlook for household equipment, tin cans, residential construction and sundry other features of the business picture, is not the thing that is going to bring about a prosperous Steel Corp. With some 70 per cent of its capacity rated in the "heavy" category, the company requires a burst of railroad buying, activity in commercial construction and public works. Although there has been moderate improvement in past months in the demand for heavier steels and one can forecast still further gains, real activity in this division is not yet in sight. For years the railroads of the country were the greatest consumers of steel, but now, with carloadings disappointing and the roads as a whole virtually bankrupt, steel takings may be expected to lag.

The action of the Steel Corp. itself in allocating a large part of its \$140,-

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000,000 expansion and renovation program to better its position in the light division of the industry is confirmatory evidence of the correctness of this reasoning. Incidentally, the fact that the company is spending so much money certainly brings the liquidation of dividends accumulated on the preferred no nearer.

However, the stock market evidently does not view the situation quite like this; the 3,602,811 shares of Steel preferred are worth about \$110 a share, the 8,703,252 shares of common about \$45 a share. The preferred, at present paying \$2 a share annually can hardly expect to be placed upon its regular \$7 basis within the coming year, if then. As for the liquidation of accumulated arrears on the issue, this is still further away unless recourse is had to some device involving the issuance of new securities. The common, of course, is speculative and, on its merits, not a particularly cheap speculation at that.

Nevertheless, though the present prices of the Steel Corp.'s preferred and common stocks can hardly be supported on abstract statistical grounds, the fact remains that they will not stand still here if the company's business improves; even if it improves rather moderately, as is expected, they will go higher. And if the company should by any chances give the appearance of a greatly improved position by means of a few bookkeeping entries, the speculative reaction might be gaudy.

"Steel" is still a favorite with speculators, still retains something of mystical "market-leadership," and is still the best of collateral at the bank. Investment and speculation, however, are two different things—a point worth remembering in connection with "Steel" at the present time.

Phillips Petroleum

(Continued from page 35)

excess of \$46,000,000, to the end of 1934. As of June 30, last, total capital investment of the company in properties, plants and equipment, at cost less all retirements, was \$275,994,000, as compared with \$190,449,000 at the end of 1929, against which, reserves for depreciation and depletion in the amount of \$138,764,605, or more than 50%, have been provided out of earnings. Acknowledging the severe slump in all property values, the company in 1932 effected a reduction of \$16,000,000 in book value resulting in a total physical valuation at less than 50% of cost. This move enabled the company to make an important reduction in reserve charges and contributed to the

better earnings shown in the past two years. Nevertheless, the company has officially emphasized that its reserves for depreciation and depletion are most liberal and are currently running above the average for the major companies in the industry.

In the years 1930-1934 inclusive average annual reserves for depreciation and depletion made by Phillips were equal to \$3.95 cents a share on its capital stock, while average net earnings were equal to only 26 cents a share. Reserves last year were equal to \$3.13 a share, or nearly 17% of gross revenues.

The marked expansion in the company's scope has been practically matched in importance by the strengthening of its financial structure. At the present time there are no bank loans, although as late as the end of 1931, Phillips owed the banks more than \$13,000,000. The 5¼% debentures, issued in the amount of \$40,000,000 in 1927, have been steadily whittled down and the balance of about \$20,000,000 outstanding on July 1, last, will all be retired on December 1. In other words, since the beginning of this year the company will have retired nearly \$26,000,000 in debentures, on which annual interest charges amounted to \$1,358,805. Redemption will be effected partly through cash and partly through the sale of \$15,000,000 new eight-year serial notes, bearing interest ranging from 1½% to 3¾%. Obviously the company will save a considerable sum in interest requirements.

Further evidence of financial strength is shown in the company's current position. At the half year, current assets were nearly \$32,000,000, including cash of \$7,347,735, and with inventories valued at more than \$1,200,000 lower than the market. Current liabilities were less than \$8,000,000.

Although, Phillips' earnings have displayed the wide fluctuations resulting from the outburst of chaotic conditions in the oil industry from time to time, the company's showing, nevertheless, compares very favorably with that of other leading oil units. In only a single year, 1931, did the company suffer a deficit during the depression, although in 1933 a deficit of \$800,000 was converted into a profit by an inventory credit adjustment of \$2,320,727. Profits last year were equal to \$1.38 a share on 4,153,235 shares and in the initial half of the current year they rose to \$1.21 a share, compared with 60 cents a share earned in the same months of 1934. Profits for the third quarter, the peak season for the oil industry, are expected to be around \$1 a share, against 41 cents last year, and for the full 1935 year profits will make one of the best showings since

the company's record high level in 1926.

Since early 1934, when the company resumed dividends with a payment of 25 cents, after omitting in 1931, regular payments have been made at the rate of 25 cents quarterly, although not officially designated as such. With the recent declaration of the November dividend, however, this was stated to be a quarterly payment, indicating an official rate of \$1 annually. The latest dividend, moreover, was augmented by an extra payment of 25 cents.

Reflecting the sum total of these developments, the company's shares are currently selling around their high (above 30) for this year—showing better than 100% appreciation from their low of 13¾. Marketwise, therefore, the shares have given a much better account of themselves than those of any leading oil company. Although efforts to avoid serious disruption of the oil industry through overproduction have wavered at times, the past two years have witnessed relative stability accompanied by new peaks in consumption. Much in the future will depend upon the continued success in avoiding excesses both in the producing and marketing divisions of the industry and it is this factor which is largely responsible for the greater speculative element in representative oil shares. Further than this, however, it is not necessary to qualify the shares of Phillips Petroleum as a commendable medium, offering a fair yield and better-than-average speculative potentialities.

Putting Recovery to the Test

(Continued from page 14)

stantial excess of any diminution in the stream of purchasing power released by Federal spending. Moreover, with the necessity for relief continuing, there is no possibility of anything more than a gradual tapering off in Federal spending.

It need hardly be said, on the other hand, that our economic position has been greatly bolstered by various extensions of the Federal credit—a matter wholly apart from the rate of monthly emergency expenditures. The revolving pool of R F C funds has been of inestimable help to business in stemming deflation and strengthening banks, other financial institutions and railroads, etc. Similarly the vast job of mortgage rescue work done by the Home Owners Loan Corp. and the Farm Credit Administration has without question been an economic life saver. Whatever flaws one may pick with the administration of these

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credit activities, business would not today be where it is if they had not been undertaken. They did not displace private capital. They went in when and where private capital could not be expected to go. To them we largely owe the present turning tide in real estate and construction.

Finally, there is the remaining question whether what we see in business is a so-called natural recovery or a potentially dangerous credit inflation. The answer is that it is both—and so it was in the expansion of the years 1922-1929, with the difference that this time the Government thus far is doing the inflating through its deficit financing.

If it does not result in eventual excess and the aftermath of deflation one can only say it will be a novelty in credit inflations—but that is looking farther ahead than one need consider. It might be just as well to look to the brakes, but with 9,000,000 or 10,000,000 individuals still out of work and with the heavy industries and construction still depressed our trouble at the moment is lingering deflation more than coming inflation. Besides, the brakes are never applied at a time when the political ins are looking forward to a coming election. It just isn't done.

The Textile Cycle Rises

(Continued from page 33)

left it with a great excess of producing machinery. Recently the woolen industry has embarked upon a promotional campaign to popularize woolen fabrics, but until woolen goods are able to compete with other fabrics on a more favorable price basis profitable operations are likely to continue transitory.

In the textile industry, silk has provided the price pyrotechnics this year. Last March Japanese raw silk was selling around \$1.30 a pound. Today the same grade is selling for \$2.10 a pound, an advance of about 60%. This spectacular rise in silk prices, traceable to typhoons in Japan, promises to leave a wake of serious difficulties for domestic manufacturers. With prevailing prices for raw silk at the highest levels since 1933, the price relationship between silk and rayon has widened greatly, to the advantage of the latter. Whereas, last March silk prices were only twice as high as rayon, they are more than three times as high at the present time. Manufacturers have not found it an easy matter to pass higher prices along to the consumer and already a marked

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It shows the Corporation's sales and earnings record and discusses recent developments in the Corporation's affairs.

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MARKET STATISTICS

	N. Y. Times		Dow, Jones Aves.		N. Y. Times		Sales
	40 Bonds	30 Indus.	20 Rails	50 Stocks	High	Low	
Monday, October 7	80.82	130.77	33.28	104.77	103.98		946,760
Tuesday, October 8	80.83	130.06	32.80	104.77	103.36		1,182,110
Wednesday, October 9	80.83	130.59	32.83	104.90	103.04		882,910
Thursday, October 10	80.99	132.99	33.17	105.54	104.13		1,863,970
Friday, October 11	80.96	133.56	32.80	107.08	105.30		2,054,662
Saturday, October 12	HOLIDAY—EXCHANGE CLOSED						
Monday, October 14	80.88	135.03	33.18	107.14	105.67		1,588,590
Tuesday, October 15	81.06	136.26	33.99	108.58	106.68		2,573,010
Wednesday, October 16	81.14	135.68	33.93	108.91	107.09		2,243,011
Thursday, October 17	81.11	135.57	33.54	108.53	107.16		1,613,437
Friday, October 18	80.99	135.13	33.37	107.84	106.66		1,449,800
Saturday, October 19	81.04	137.09	33.73	108.38	107.57		992,010

New York Curb Exchange

ACTIVE ISSUES Quotations as of Recent Date

Name and Dividend	1935 Price Range		Recent Price	Name and Dividend	1935 Price Range		Recent Price
	High	Low			High	Low	
Alum. Co. of Amer.	82½	32	77½	General Tire.	71½	34½	48½
Amer. Cyanamid B (40)	28½	15	27½	Glen Alden Coal (*1)	24	13½	20
Amer. Gas & Elec. (1.40)	39½	16½	34	Great A. & P. Tea N.-V. (*6)	140	121	127½
Amer. Lt. & Tr. (1.20)	16½	7½	12½	Gulf Oil of Pa.	74½	60½	63½
Amer. Superpower	3½	2½	2	Hudson Bay M. & S.	19½	11½	18½
Assoc. Gas Elec. "A"	2½	1½	1½	Humble Oil (1)	64	44	55½
Atlas Corp. (1.30)	13½	7	11½	Imperial Oil (*50)	23½	15½	19½
Cities Service	2½	1½	1½	Lake Shore Mines (*2)	58	45½	47½
Cities Service Pfd.	27½	6½	21½	Mead-Johnson & Co. (*4)	82½	55	82
Cleveland Elec. Illum. (2)	47½	23½	44	National Sugar Ref. (2)	35	21	21½
Colum. G. & E. cv. Pfd. (5)	90	32	87	Niagara Hudson Pwr.	8½	2½	8½
Commonwealth Edison (4)	94	47½	87½	Novadel-Agenc (2)	32½	18½	32½
Consol. Gas Balt. (3.60)	89½	52½	84½	Pan-Amer. Airways (1)	44½	36	41
Cord Corp.	5	2½	4½	Pepperl Mfg.	89½	52½	70
Crane Co.	17½	7	16½	Pitts. Pl. Glass (1.60)	89½	46½	89
Creole Petroleum	23½	10	21½	Sherwin-Williams (3)	121	84	119½
Distillers Cp. Seag.	28½	13½	26½	South Penn Oil (1)	28½	21½	26½
Elec. Bond & Share	20½	3½	12½	Swift Int'l (2)	36½	27	29½
Elec. Bond & Share Pfd. (6)	78	37½	63½	United Founders	1½	1	1
Elec. Pr. Assoc. A	6½	2½	5½	United Lt. & Pwr. A.	3½	2½	3½
Fisk Rubber	11½	4½	4½	United Shoe Mach. (5)	85½	70	83½
Ford Mot. of Can. "A" (1¼)	33½	23½	25½	Walker Hiram H. W.	32½	22½	26½
Ford Motor, Ltd. (10)	9½	7½	8½				

shift from silk to rayon and other synthetic fabrics has been reported. With the recent enactment of a 33 1/3% tariff in Canada, re-exports to that market are barred. Clearly, these circumstances portend restricted profit margins and the industry can draw but scant comfort from the possibility that higher silk prices may restore the quality standing of that fabric, if this event should mean that the industry will be compelled to sacrifice any considerable portion of its volume.

Such companies as Belding Heminway, Gotham Silk Hosiery and Julius Kayser are among the more efficient units identified with the silk industry in a specialized capacity. These companies specialize in such trade-marked products as thread, hosiery, gloves and underwear, and profits, while not likely to be entirely immune from the repercussions of higher prices, will doubtless make a better showing than the rank and file of silk fabricators.

The same conditions which threaten the profits of the silk industry play directly into the hands of the rayon industry. The competitive position of silk has been weakened, while that of rayon has been strengthened. Rayon yarn shipments during September were the highest for any month on record and weaving mills are using more rayon materials in new Spring lines as a result of the higher silk prices. Hosiery manufacturers are reported to be considering the wider use of synthetic materials in cheaper grades. For the full 1935 year, it is more than likely that total domestic rayon production will exceed 250 million pounds, a new high record. Consumption, likewise, promises to exceed any

previous year. Thus, rayon has acquired the aspects of a dynamic industry.

Back of the phenomenal growth of the rayon industry are not only definite fundamental advantages but external foresight as well. The fact that rayon is a chemical product, permitting more uniform quality and controlled output, gives it a decided advantage over natural fibers. The industry is not troubled by excessive manufacturing capacity and has been singularly free from competitive sniping. Through continuous research, the industry has been enabled not only to greatly increase the practical application and uses of rayon but improved manufacturing processes have cut costs and permitted a lowering of prices to the consumer. As a result, the industry in 1933 was able to show record profits, despite the fact that prices averaged 50% below 1929.

Present prospects indicate sustained activity in the rayon industry well into the closing weeks of the current year, and prices have been firm to moderately higher and appear likely to continue so. In the circumstances such leading domestic companies as Industrial Rayon and Celanese Corp. should report fairly good earnings, although results of the former company will be restricted by the heavy expenses incurred in connection with a 11-week labor strike. The main point featuring the rayon division, however, is that it has by no means exhausted its possibilities for continued expansion and growth. The longer term trend would seem clearly to favor increased production and consumption and the established companies have every opportunity to prosper accordingly.

New S E C Rulings Interpreted

(Continued from page 29)

tial. Some governments, of course, will apply; Argentine has done so already.

A similar situation exists in regard to foreign corporations whose stocks and bonds now enjoy listing privileges in the amount of some \$3,000,000,000. Reports from Amsterdam not long ago stated that Royal Dutch, rivaling Standard Oil (New Jersey) in importance, would not seek to register the American certificates for its stock.

Holding Company Regulation.

At the last session of Congress the highly complex and controversial matter of regulating public utility holding companies was thrust into the lap of S E C. In the words of James M. Landis, the Commission's chairman, S E C is currently engaged in "finding out who its customers are." Incidentally, he said also that "there was no reason for the wholesale disposition of utility securities." This was gratifying, although it seemed clear that nothing much in the way of utility regulation could be done before the regulatory laws had been thoroughly tested in the courts.

Investment Trusts. The status of investment trusts before S E C is similar to that of the public utility holding companies. Indeed, it was under the Utility Law that S E C was "Authorized and directed to make a study of the functions and activities of investment trusts and investment companies. . . ." The study is not yet properly under way, but plans have been laid. When the investigation is complete, it will reveal undoubtedly wide discrepancies in supervisory fees, contracts, objectives and capabilities.

General. The past few months have done much to define the position of the Securities & Exchange Commission in the world of securities. It is no longer feared as it once was, either by the public or those who make their living in stocks and bonds. It has proved helpful in many ways; aside from all the investment information of various kinds that S E C has obtained for the public, it receives on an average some 400 complaints a month from individuals, each of which is investigated. Moreover, it is reassuring to the country that S E C itself recognizes its limitations. The chairman's remarks about being unable to supervise completely the over-the-counter market is a case in point, while its admitted inability to stop an inflationary boom, should one develop, affords another example.

What's Ahead for the Market?

(Continued from page 9)

much of the sweetness for the present would seem to be out of most recent leaders in the dynamic groups above mentioned. In this connection, while debit balances show only a gradual increase in reflection of public speculation, brokers report a more rapid gain in the number of shares carried in speculative accounts. This can only reflect considerable switching out of higher priced issues into low price stocks. Since there is a reason for any stock to sell at a low price, it must be pointed out that this tendency is indicative of an increasingly speculative motif in the market, regardless of the continued moderate level of brokers' loans.

On the bull side, curtailing the probable scope of any reaction even if it may not be strong enough in the present setting to project the general market into another important advance, is that ace in the hole: the credit factor emphasized in the inflation warning sounded by Mr. Gay as referred to above.

As long as the Government's deficit financing continues, piling up excess bank reserves, there can be no genuine liquidating market in stocks or any other property. In addition, capital gains taxes and income surtaxes make large holders of stocks reluctant to take profits. The worst that can be said is that from time to time speculation over-plays these factors and is in danger of doing so now, making possible intermediate reaction of greater scope than has yet been experienced since last March.

Significant Foreign Events

(Continued from page 19)

onomic situation is rapidly approaching a critical stage.

* * *

When the Cat's Away . . .

Because a Chinese junk, owned by Chinese, manned by Chinese, carrying a cargo bought by Chinese, was seized by Chinese authorities some miles in the interior of China, it being alleged not to have paid proper duties, Japan, owing to the fact that some rice on board had once been Japanese, dispatched a cruiser and eight destroyers

to Swatow with a view to obtaining satisfaction for discrimination against Japanese trade. It will be remembered that some time ago Japan politely informed the Canton Government that "Japan's military arm must necessarily penetrate very deeply into South China." It is thought that Japan manufactured the Swatow "incident" believing that the time was opportune for such penetration. With Great Britain moving her warships from the Far East towards the Mediterranean and a serious European crisis obviously impending, why not carry on with the annexation-of-China plans while the world was otherwise occupied? The only thing that prevented the arranged development of the Swatow "incident" was the fortuitous arrival of the United States Asiatic fleet which sailed into Hong-Kong as the British fleet departed. The United States contends that the arrival of her ships was merely a coincidence in a long planned cruise. It was, however, a sufficiently happy coincidence to cause Japan, not altogether sure as to how far she is to be permitted to go with China, to decide that the opportunity of tomorrow might possibly be better than the opportunity of today.

Bankruptcy As a Cure Instead of Business Death

(Continued from page 25)

Other railway companies are contemplating the process of making their debts endurable. But there are various considerations which are restraining them, such as the hope that improving earnings will make it possible to give the stockholders a better cut when it comes to setting up the future structure.

While precise statistics are not available as to the rush of crippled corporations to take advantage of 77B, the record is sufficient to show that hundreds of corporations, big and little, are on the way to renewed life. Among the companies that have been mentioned as seeking or having already sought new life in the new way—business going on as usual—are: The Baldwin Locomotive Works; the Studebaker Corp.; the Postal Telegraph & Cable Corp.; the Bush Terminal Co. of New York City; the McCrory Stores; Cheney Bros., textile manufacturer of Hartford, Conn.; the Botany Worsted Mills of Passaic, N. J.; the Standard Gas & Electric Co., an outstanding utility; the Central & Southwest Utilities Co.; Central Public Utility Corp.; Middle-

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west Utilities Co.; the Consolidated Gas Utilities Co.; Cosden Oil Corp.; Consolidation Coal Co., a \$60,000,000 concern; Rayon Industries Corp., and American Gas & Power Co.

Recent improvement in business and business prospects has operated in some cases to hasten reorganization under the liberalized bankruptcy laws and in other cases to deter such reorganization. The improving prospect has brought encouragement to a large number of energetic men of business skill and management talent who see their own interest well served by reorganization of crippled concerns. On the other hand, the dark cloud of heavy taxation which lies before all enterprise, new as well as old, tempts the parties in interest in many concerns to let them go into the grave through the old insolvency routes instead of seeking prolongation of life through the more modern and humane methods of dealing with business cripples.

As I See It

(Continued from page 7)

by his works, says the Bible. The man that this country needs today must be a known quantity—a practical and able administrator, yet skilled in the way of politics, and who has made a record during this depression for temperate and yet progressive action. Many possible candidates have been brought forth. It is necessary to test their qualifications on the basis of their bigness and their accomplishments.

More Business to Come

(Continued from page 22)

cealed flashings and for copper-asphalt built-up roofing; Beryllium copper, a new alloy used for springs, contacts, non-sparking tools, instruments, dies, etc.; welding of copper and alloys; copper roofing; and a new more economical and more efficient underground transmission cable.

In the oil industry 70 octane gasoline has been made available throughout the country since 1929 and has been in largest degree responsible for the marked improvement in automobile engines over the past five years. Much of the fundamental research work responsible for gasolines of the present high anti-knock qualities has been done by the Standard Oil Development Co., subsidiary of the Standard Oil Co. of New Jersey.

Other developments by the same company include "Paraflo" and "Paratone," which, blended with lubricating oils, improve temperature-viscosity characteristics; the phenol extraction process for manufacture of improved motor oils; hydrosolvents, which are produced through the hydrogenation process and which in important extent have replaced coal tar solvents used in the paint and varnish industry; use of chlorinated solvents to dewax lubricating oils; a super quality aviation gasoline called "Iso-Octane"; the hydrogenation process in manufacture of lubricating oils; and several new chemical products, the most important of which is methyl-ethyl ketone. In cooperation with several other large oil companies, Standard has also developed the polymerization method of converting gases into gasolines.

The International Business Machines Corp. estimates that approximately 66 per cent of its present gross business may be attributed to the technical advances made in its extensive list of

products since 1929. These developments include new card punching and card sorting equipment, accounting and tabulating equipment; proof machine for banks, automatic bill feed, portable recorder, finger print selector, etc.

New products by General Motors since 1929 include a wide range of air conditioning equipment for all applications; oil-fired warm air furnaces giving winter air conditioning service; Diesel-electric power plants for streamlined trains and Diesel-electric locomotives.

New developments by Continental Can include a radically improved coffee packing process which removes practically all the oxygen and which will be marketed for the first time in the near future; valve-top cans which permit gases to escape but keep air out; cans for motor oil and—the latest novelty—cans for beer.

Through research, the doors to practically every industry have been opened to the widening line of products of the Reynolds Metals Co., according to the statement made to us by R. S. Reynolds, president. General research is carried on through the Reynolds Research Corp. In addition the company maintains two other laboratories for special work. Research and effective promotion have greatly widened application of metal foil, emphasizing decorative appearance and protective qualities for containers, wrappings, etc., and insulating qualities in refrigerators, cabinets, building, etc. The company's "Metallation" is now widely used in insulation for buildings of all kind. Soon to emerge from the laboratory, but not yet publicly announced, are various new products and processes relating to the construction industry.

In potentialities for ultimate business expansion probably nothing is more important that the intensive research now being directed by dozens of great corporations at the objective of cheaper and better materials and methods of residential construction. Experiments in varying degrees of residential prefabrication are only symptoms of a much broader trend toward a radical technological advance in an industry which up to now has let the machine age outrun it but which is at last alive to the reality that its full recovery must depend upon at least partially closing this gap.

It is easy to be sceptical regarding such developments. Every few months some aspiring journalist surveys the pre-fabricated housing field and concludes that there is much more smoke in it than fire. Most people took the same attitude toward the automobile in its infancy. In 1900 only 4,192 motor cars were made. Five years passed before the annual figure reached 25,000, or less than a single great corporation now can turn out in a week. Eight

years passed before the annual production passed 100,000 cars. Yes, for a long time there was more smoke than fire in that absurd novelty, the automobile. Don't bet any money that the coming technological revolution in housing is going to be a flop! It's on the cards, however unpretentious may be its present groupings.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF MARCH 3, 1933

Of THE MAGAZINE OF WALL STREET, published every two weeks at New York, N. Y., for Oct. 1, 1935.

State of New York } ss.
County of New York }

Before me, a Notary Public in and for the State and county aforesaid, personally appeared E. Kenneth Burger, who having been duly sworn according to law, deposes and says that he is the Managing Editor of THE MAGAZINE OF WALL STREET and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher—C. G. Wyckoff, 90 Broad St., New York, N. Y.

Editor—None.

Managing Editor—E. Kenneth Burger, 90 Broad St., New York, N. Y.

Business Manager—Howard S. Heitkamp, Jr., 90 Broad St., New York, N. Y.

2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member must be given.)

The Ticker Publishing Co., Inc., 90 Broad St., New York, N. Y.

C. G. Wyckoff, Inc. (stockholder) 7 West 10th St., Wilmington, Del., the stockholders of which are: C. G. Wyckoff, 90 Broad St., New York, N. Y.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.)

Alma Wyckoff, Manufacturer's Trust Co. and Jacob Scholer, as executors of the estate of R. D. Wyckoff, Greenwood Lake, N. Y. (bondholder).

C. G. Wyckoff, Inc. (bondholder), 7 West 10th St., Wilmington, Del. the stockholders of which are: C. G. Wyckoff, 90 Broad St., New York, N. Y.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the twelve months preceding the date shown above is—(This information is required from daily publications only.)

E. KENNETH BURGER
Managing Editor

Sworn to and subscribed before me this 1st day of October, 1935.

[Seal]

ROBERT J. GROSS

Notary Public, Bronx County

(My commission expires March 30, 1937.)

